



## CryptoLink - August 2025

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The push for digital assets legislation has slowed since its peak in July, largely due to Congress's August recess and its current focus on essential funding and defense authorization bills. However, the Senate Banking Committee has remained active, releasing an updated draft of the Responsible Financial Innovation Act of 2025 in early September. This new draft primarily includes technical changes to a bill that builds on the House's CLARITY Act to establish a regulatory framework for digital assets. Chairman Tim Scott (R-SC) has announced his hope to advance the bill out of the Banking Committee by the end of September, but Senators from both parties appear skeptical of this timeline. In response to the new draft, a group of 12 Senate Democrats, including Sens. Kirsten Gillibrand (D-NY), Ruben Gallego (D-AZ), and Mark Warner (D-VA), released a "substantive road map" outlining seven key Democratic priorities to guide upcoming negotiations. These priorities include "Clarifying the Legal Status of Digital Assets and Regulator Jurisdiction," "Preventing Illicit Finance," and "Preventing Corruption and Abuse." The statement emphasizes that a "bipartisan outcome will require time and cannot be rushed." Similarly, some Republicans, most notably senior Banking Committee member Sen. John Kennedy (R-LA), have suggested that the legislation needs more attention before a vote. "I know I still have a lot of questions," Kennedy said. Even if Republicans report the bill favorably out of the Banking Committee, it will need bipartisan support to pass the Senate, giving Democrats significant leverage in negotiations.

Recent enforcement actions in the crypto sector reflect a growing emphasis on user protection, anti-money laundering, and market integrity. U.S. federal and state agencies, including the SEC, DOJ, and New York's DFS, are increasingly targeting alleged deceptive practices, misappropriation of funds, and failures in compliance programs, as seen in actions against platforms like MyConstant, Paxos, and Ripple Labs. Meanwhile, the former co-founder of Terraform Labs pleaded guilty to fraud that led to billions in user losses. Two individuals were sentenced in a \$577 million Ponzi scheme in the Western District of New York, and Richard Kim, CEO of tech company Zero Edge Corporation, was indicted on securities and wire fraud charges. The DOJ seized more than \$2.8 million in cryptocurrency related to a case pending in the Northern District of Texas. OFAC and the UK have separately issued sanctions to crack down on entities allegedly facilitating transactions linked to illicit activities or the circumvention of

existing sanctions through the exploitation of crypto networks. These developments may signal a maturing enforcement landscape, where regulators are not only pursuing individual wrongdoers but also addressing systemic risks in digital asset markets.

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## Key Developments

### Acting Chairman Pham Launches Listed Spot Crypto Trading Initiative and Announces Next Crypto Sprint Initiative

On August 4, 2025, the Commodity Futures Trading Commission (CFTC) Acting Chairman Caroline D. Pham announced that the CFTC will launch an initiative to trade spot crypto-asset contracts that are listed on a CFTC-registered futures exchange, or designated contract markets (DCM). This is the first initiative in the CFTC's crypto sprint to implement the recommendations from the President's Working Group on Digital Asset Markets report.

On August 21, 2025, Pham announced that the CFTC would begin its next crypto sprint initiative to implement the recommendations in the President's Working Group on Digital Asset Markets report. Acting Chairman Pham will begin stakeholder engagement on all other report recommendations for the CFTC.

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

### FinCEN Issues Notice on the Use of Convertible Virtual Currency Kiosks for Fraud Payments and Other Illicit Activity

On August 4, 2025, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued a notice urging financial institutions to be vigilant in identifying and reporting suspicious activity involving convertible virtual currency (CVC) kiosks. The notice provides an

overview of typologies associated with illicit activity involving CVC kiosks. In particular, it highlights the rise in fraudulent payments facilitated by CVC kiosks, including tech and customer support fraud and bank imposter fraud. The notice also outlines red-flag indicators and reminds financial institutions of their reporting requirements under the Bank Secrecy Act.

FinCEN's notice can be found [here](#).

## **SEC Deems “Liquid Staking” Outside its Purview**

On August 5, 2025, the U.S. Securities and Exchange Commission's (SEC) Division of Corporate Finance (the Division) issued a statement on certain liquid staking activities in which it confirmed the Division's view that “Liquid Staking Activities” in connection with Protocol Staking do not involve the offer and sale of securities within the meaning of Section 2(a)(1) of the Securities Act of 1933 or Section 3(a)(10) of the Securities Exchange Act of 1934. Accordingly, the Division's statement confirmed that participants in Liquid Staking Activities do not need to register with the SEC transactions under the Securities Act, or fall within one of the Securities Act's exemptions from registration in connection with these Liquid Staking Activities.

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

## **American Bankers Association Seeks to Close Loopholes in Stablecoin Law**

On August 13, 2025, the American Bankers Association and 52 state bankers' associations published a joint letter to Senate committee leaders, urging lawmakers to use upcoming market structure legislation to close several “loopholes” created by the recently enacted GENIUS Act. The recommendations include: strengthening the GENIUS Act's prohibition on interest payments for payment stablecoins by extending it to brokers, dealers, exchanges, and affiliates of payment stablecoin issuers; repealing Section 16(d) of the GENIUS Act to restore state authority over out-of-state-chartered financial institutions; and closing loopholes in the prohibition on nonfinancial companies being payment stablecoin issuers by removing all approval pathways and prohibiting both public and private nonfinancial entities.

The joint letter can be found [here](#) and further information can be found [here](#).

## **Federal Reserve to End Crypto-Focused Supervisory Program**

On August 15, 2025, the U.S. Federal Reserve Board (FRB) announced that it will “sunset its novel activities supervision program and return to monitoring banks' novel activities through the normal supervisory process.” According to the press release, since the FRB began its program to supervise certain crypto and fintech activities in banks, the FRB has “strengthened its understanding of those activities, related risks, and bank risk management practices.” As a result, the FRB announced that it would “integrat[e] that knowledge and the supervision of those activities back into the standard supervisory process and is rescinding its 2023 supervisory letter creating the program.”

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

## **Treasury Issues Request for Comment Related to the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act**

On August 18, 2025, in accordance with the GENIUS Act, the U.S. Department of the Treasury issued a Request for Comment, which offers the opportunity for interested parties to provide feedback on “innovative or novel methods, techniques, or strategies that regulated financial institutions use, or could potentially use, to detect illicit activity involving digital assets. In particular, Treasury asks commenters about application program interfaces, artificial intelligence, digital identity verification, and use of blockchain technology and monitoring.” The GENIUS Act creates a comprehensive regulatory framework for U.S. stablecoin issuers. Separate and apart from fulfilling the Treasury Department’s obligation pursuant to the GENIUS Act, the request for comment furthers the administration’s policy of supporting the responsible growth and use of digital assets. Such policy is outlined in Executive Order 14178 on “Strengthening American Leadership in Digital Financial Technology.”

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

## **Wyoming Launches First State-Issued Stablecoin**

On August 19, 2025, Governor Mark Gordon of Wyoming issued a press release stating that the Wyoming Stable Token Commission had announced the launch of the Frontier Stable Token (FRNT). This makes Wyoming the first public entity in the United States to issue a blockchain-based stable token. Gordon stated, “Wyoming reaffirms its commitment to financial innovation and consumer protection. The mainnet launch of the Frontier Stable Token will empower our citizens and businesses with a modern, efficient, and secure means of transacting in the digital age.”

Governor Gordon’s press release can be found [here](#).

## **SEC Names Judge Margaret Ryan as Director of the Division of Enforcement**

On August 21, 2025, the SEC announced that Judge Margaret “Meg” Ryan has been named Director of the Division of Enforcement, effective September 2, 2025. Judge Ryan is a senior judge of the U.S. Court of Appeals for the Armed Forces. She was nominated to the court in 2006 by President George W. Bush, confirmed by the U.S. Senate and served the entirety of her term through July 2020. She reached senior status in August 2020.

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

## **Key Enforcement Actions**

### **SEC Issues Cease-and-Desist Order Following Crypto-Backed Fraud**

On August 5, 2025, the SEC issued a cease-and-desist order against Huynh Tran Quang Duy relating to material misrepresentations Huynh made to investors in the online lending platform Const LLC (doing business as MyConstant or Constant) and his subsequent misappropriation of investor funds. According to the order, from approximately September 2020 through November 2022, Huynh, MyConstant’s founder, sole owner, and managing member, falsely represented on MyConstant’s website that his company would invest investor funds in a low-risk loan matching

service, backed by collateral consisting of crypto assets that exceeded the value of the amount loaned, and provide returns of up to 10% per annum. MyConstant raised over \$20 million from over 4,000 investors. Huynh misappropriated approximately \$415,000 of investor funds through transfers outside the United States for his personal use and misused investor funds to purchase at least \$11.9 million of the crypto asset TerraUSD in personal accounts. Under the order, Huynh is (i) ordered to cease and desist from committing or causing any violations and any future violations of the relevant provisions of the Securities Act and the Exchange Act, (ii) barred from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act or that is required to file reports pursuant to Section 15(d) of the Exchange Act, and (iii) shall pay \$8,347,720 in disgorgement, \$1,521,311 in prejudgment interest, and a civil monetary penalty of \$750,000.

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

### **Superintendent Adrienne A. Harris Secures \$48.5 Million Settlement with Paxos Trust Company for Anti-Money Laundering Deficiencies and Diligence Failures**

On August 7, 2025, New York State Department of Financial Services (DFS) Superintendent Adrienne A. Harris announced that Paxos Trust Company will pay a \$26.5 million penalty to New York State for failing to conduct sufficient due diligence of its former partner, Binance, and for systemic failures in Paxos's anti-money laundering program. In addition, Paxos agreed to invest \$22 million to improve its compliance program and remediate deficiencies. Superintendent Harris stated that the DFS "has led the nation in regulating the virtual currency industry, protecting consumers and markets through examinations, supervision, and where necessary, enforcement," and regulated entities must "maintain appropriate risk management frameworks that correspond to their business risks, which includes relationships with business partners and third-party vendors." The DFS investigation revealed that Paxos did not have appropriate controls to effectively monitor for illicit activity occurring at or through Binance and failed to escalate red flags to Paxos's senior management and its board. Binance previously settled with the Department of Justice (DOJ) for \$4.3 billion.

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

### **SEC Announces Joint Stipulation to Dismiss Appeals, Resolving Civil Enforcement Action Against Ripple and Two of Its Executives**

On August 8, 2025, the SEC filed a joint stipulation of dismissal with Ripple Labs Inc., Bradley Garlinghouse, and Christian A. Larsen, dismissing the SEC's appeal and Ripple's cross-appeal pending in the United States Court of Appeals for the Second Circuit and resolving the SEC's civil enforcement action against the defendants. The cross-appeals followed a final judgment by the district court that imposed a \$125,035,150 civil penalty against Ripple and an injunction prohibiting Ripple from violating the registration provisions of the Securities Act of 1933. Following the dismissal of the cross-appeals, that final judgment will remain in effect.

The SEC's press release can be found [here](#) and the joint stipulation of dismissal can be found [here](#).

### **Terraform Founder Do Kwon Pleads Guilty to Fraud**

On August 12, 2025, the U.S. Attorney's Office for the Southern District of New York (SDNY) announced that Do Hyeong Kwon, the co-founder and former chief executive officer of Terraform Labs PTE, Ltd., pled guilty before U.S. District Judge Paul A. Engelmayer to one count of conspiring to commit commodities fraud, securities fraud, and wire fraud, and one count of committing wire fraud in connection with fraudulent schemes at Terraform. U.S. Attorney Jay Clayton, the U.S. Attorney for the SDNY, stated that "Kwon attracted tens of billions in funds to Terraform's ecosystem by promising a self-stabilizing stablecoin. By the time the markets discovered the ecosystem was unstable, it was too late: the system collapsed, and investors around the world suffered billions in losses. Kwon's plea represents an important milestone in this Office's continuing efforts to bring integrity and accountability to the digital asset markets. It would not have been possible without the dedicated work of our law enforcement partners at the FBI and the assistance of our allies abroad."

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

## **Two Individuals Sentenced for \$577 Million Fraud Scheme**

On August 12, 2025, the U.S. Attorney's Office for the Western District of Washington announced that Sergei Potapenko and Ivan Turõgin were sentenced to 16 months in prison for orchestrating a massive cryptocurrency Ponzi scheme that defrauded hundreds of thousands of victims. According to court documents, Potapenko and Turõgin operated a purported cryptocurrency mining service called HashFlare, which sold contracts promising customers a share of the profits generated from cryptocurrency mining. However, HashFlare lacked the computing capacity to mine the vast majority of the cryptocurrency it claimed to generate, and Potapenko and Turõgin used investor funds to purchase real estate, luxury vehicles, and to fund investment and cryptocurrency accounts for their personal use. The men have already served 16 months in custody. Additionally, U.S. District Judge Robert S. Lasnik ordered each to pay a \$25,000 fine and complete 360 hours of community service while on supervised release. Potapenko and Turõgin are expected to return to Estonia to serve their terms of supervised release. The sentences also incorporated the forfeiture of cryptocurrency, funds, vehicles, real property, and cryptocurrency mining equipment, which are collectively valued at over \$450 million.

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

## **Tech Company CEO Charged with Securities and Wire Fraud**

On August 13, 2025, the U.S. Attorney's Office for the Southern District of New York (SDNY) announced that Richard Kim, the former Chief Executive Officer of Zero Edge Corporation, was indicted for engaging in a scheme to defraud investors and prospective investors of Zero Edge by making false and misleading statements regarding the use of investor funds and subsequently misappropriating those funds. The case has been assigned to U.S. District Judge Lorna G. Schofield. According to U.S. Attorney Jay Clayton, "Kim misled investors by promising that he would build a blockchain-based casino gaming app, but ironically Kim turned around and gambled away the very funds he said he would use to build a better casino."

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

## **Justice Department Announces Seizure of Over \$2.8 Million in Cryptocurrency, Cash and Other Assets**



On August 13, 2025, the DOJ unsealed six warrants in the U.S. District Courts for the Eastern District of Virginia, the Central District of California, and the Northern District of Texas, authorizing the seizure of over \$2.8 million in cryptocurrency, \$70,000 in cash, and a luxury vehicle. All of the cryptocurrency was seized from a cryptocurrency wallet controlled by Iannis Aleksandrovich Antropenko, who is charged by indictment in the Northern District of Texas for conspiring to commit computer fraud and abuse, computer fraud and abuse, and conspiracy to commit money laundering. As alleged in the unsealed warrants, the cryptocurrency and other assets seized are the proceeds of (or were involved in laundering the proceeds of) ransomware activity.

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

## **Treasury Sanctions Cryptocurrency Exchange and Network-Enabling Sanctions Evasion and Cyber Criminals**

On August 14, 2025, the Department of the Treasury's Office of Foreign Assets Control (OFAC) announced it was re-designating the cryptocurrency exchange Garantex Europe OU, which has "directly facilitated notorious ransomware actors and other cybercriminals by processing over \$100 million in transactions linked to illicit activities since 2019." OFAC also designated Garantex's successor, Grinex, and took action against three executives of Garantex and six associated companies in Russia and the Kyrgyz Republic that "supported the exchange's involvement in malicious cyber activities."

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

## **UK Targets Sanctions Circumvention and Crypto Networks Exploited by Russia**

On August 20, 2025, the United Kingdom (U.K.) Foreign, Commonwealth and Development Office announced that the U.K. would be cracking down on "Russia's attempts to avoid sanctions by exploiting Kyrgyz financial systems and crypto networks, building on over 2,700 existing U.K. sanctions against Russia." The U.K.'s proposed action targets the Kyrgyzstan-based Capital Bank and its director, Kantemir Chalbayev. According to the press release, sanctions also hit the Grinex and Meer cryptocurrency exchanges, the infrastructure behind a new ruble-backed cryptocurrency token A7A5, which has moved \$9.3 billion on a dedicated crypto exchange in four months and is "specifically designed as an attempt to evade Western sanctions."

The Foreign, Commonwealth and Development Office's press release can be found [here](#).

## **Akin Thought Leadership**

[Recent Developments in the Law of Federal Property Fraud: It's a Long and Winding Road](#) (August 18, 2025)

[Akin Advises Karatage as Lead Investor in Mill City's \\$450 Million PIPE, to be Used to Initiate SUI Treasury Strategy](#) (August 1, 2025)

Crypto CLARITY: The Politics, Policy and Implications of Digital Assets Regulatory Framework Legislation in the 119th Congress (July 28, 2025)

Akin Adds Evan Wolff as Co-Head of Cybersecurity, Privacy & Data Protection Practice (July 10, 2025)

SEC Staff Provides Disclosure Guidance for Crypto Asset Offerings, Registrations (April 16, 2025)

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