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CryptoLink



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CryptoLink is a compilation of news stories published by outside organizations. Akin aggregates these stories, but the information contained in them does not necessarily represent the beliefs or opinions of the firm. Akin's June CryptoLink update includes developments from May and June of 2023.

Both stablecoin and market structure legislation remain the focus for two distinct paths forward in the digital assets space. The House Financial Services Committee is continuing to focus on digital assets. Chairman of the Committee Patrick McHenry (R-NC) mentioned earlier in the year that he wanted to pass stablecoin and market structure legislation this summer. In order to hit this target, the Chairman and his partner at the House Agriculture Committee have put forward two pieces of draft legislation. Chairman McHenry intends to “markup” the bills in his committee when Congress returns from its July 4th recess. It remains unclear what the fate of these bills will be. Although there is some bipartisan support in the House for both stablecoin and market structure legislation, the House Financial Services Committee’s lead Democrat, Ranking Member Maxine Waters, appears to be much more open to a regulatory framework for stablecoins. She recently sent letters to the Department of the Treasury and the SEC, asking for comments on the proposed market structure bill. We know that the answer from SEC Chairman Gary Gensler will be hostile. By contrast, the Administration and Federal Reserve Chair Jay Powell seem much more open to a stablecoin framework, and it is telling that Ranking Member Waters did not ask for input on the stablecoin draft.

Ultimately, the fate of these bills will be determined in the Senate at the end of this year, and the more bipartisan the outcome in the House, the more likely there will be a White House signing ceremony for new legislation addressing digital assets in 2023.

The Administration’s broad skepticism toward cryptocurrency was accelerated by the demise of FTX last fall. Events over the course of the last week, however, suggest that government efforts to sideline this growing industry will prove difficult. The moves by traditional finance players such as BlackRock, Citadel, Invesco, Schwab, and Fidelity to expand into the crypto space suggest that traditional finance is in agreement with Fed Chair Jay Powell’s recent assertion that cryptocurrency has “staying power as an asset class.” That was on top of Powell’s statement before Congress that the Federal Reserve views stablecoins as “a form of money.” All eyes in the industry will be on the SEC later this summer, for its decision regarding the recent tradfi applications for spot Bitcoin ETFs.

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Spotlight on Coinbase

Former Coinbase Manager and His Brother Agree to Settle Insider Trading Charges Relating to Crypto Asset Securities

On May 30, 2023, the U.S. Securities and Exchange Commission (SEC) announced that former Coinbase product manager Ishan Wahli and his brother, Nikhil Wahli, settled insider trading charges involving a scheme to trade ahead of announcements regarding at least nine crypto asset securities that were being made available for trading on Coinbase's platform. The SEC's complaint alleged that from at least June 2021 to April 2022, in breach of his duties, Ishan Wahli repeatedly tipped the timing and content of upcoming listing announcements to his brother, Nikhil Wahli, and his friend, Sameer Ramani, following which Nikhil Wahli and Ramani allegedly purchased at least 25 crypto assets and sold them shortly after the announcements for a profit. The Wahli brothers agreed, as part of the settlement, not to deny the SEC's allegations. Ishan and Nikhil Wahli consented to the entry of final judgments that permanently enjoin them from violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. In the related criminal action, Ishan and Nikhil Wahli pled guilty to conspiracy to commit wire fraud. Ishan Wahli was sentenced to 24 months in prison and ordered to forfeit 10.97 ether and 9,440 Tether, and Nikhil was sentenced to 10 months in prison and ordered to forfeit \$892,500.

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

SEC Charges Coinbase for Operating as an Unregistered Securities Exchange, Broker and Clearing Agency

On June 6, 2023, the SEC charged Coinbase, Inc. with operating its crypto asset trading platform as an unregistered national securities exchange, broker and clearing agency. The SEC also charged Coinbase for failing to register the offer and sale of its crypto asset staking-as-a-service program. According to the SEC's complaint (filed in the U.S. District Court for the Southern District of New York), since at least 2019, (i) Coinbase made billions of dollars unlawfully facilitating the buying and selling of crypto asset securities, including through intertwining the traditional services of an exchange, broker and clearing agency without having registered any of those functions with the SEC, and (ii) Coinbase engaged in an unregistered securities offering through its staking-as-a-service program, which allowed customers to earn profits from the "proof of stake" mechanisms of certain blockchains and Coinbase's efforts.

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

SEC and Coinbase Litigation Continues

On June 6, 2023, the same day the SEC announced an enforcement action against Coinbase, Circuit Judge Cheryl Anna Krause of the U.S. Court of Appeals for the Third Circuit issued an order in the matter of *Re Coinbase Inc.* in view of Coinbase's writ of mandamus requesting

to order the SEC to submit periodic reports to the court regarding the SEC's progress on, among other things, Coinbase's petition for rulemaking. In the order, Judge Krause required the SEC to submit a letter within seven days to address whether the SEC has decided to deny Coinbase's petition for rulemaking, and, if not, how much additional time the SEC required to decide whether to grant or deny that petition, and why the court should not retain jurisdiction and order periodic reports (as Coinbase had proposed) and/or establish a deadline by which the court will rule on Coinbase's petition for writ of mandamus.

On June 13, 2023, the SEC submitted a letter to the U.S. Court of Appeals for the Third Circuit in response to the court's order of June 6, 2023. In the letter, the SEC reiterated that there was no merit to Coinbase's request. The SEC further stated that its staff anticipate being able to make a recommendation regarding Coinbase's rulemaking petition within 120 days, and counsel for the SEC could provide the court with a status report by October 11, 2023. The SEC further noted that it has not decided what action to take on Coinbase's rulemaking petition, there is no basis for subjecting the SEC's discretionary rulemaking agenda to a specific timeline, and Coinbase's request for periodic reports is "unwarranted" as it "relies on inapposite authority that reflects circumstances in no way comparable to those presented by its mandamus petition."

On June 17, 2023, counsel for Coinbase submitted a response to the SEC's letter of June 13. In the letter, Coinbase pointed to the "smoking-gun evidence" that the SEC had filed enforcement action against Coinbase. Furthermore, Coinbase argued that the court should grant mandamus because the fact the SEC has decided not to grant Coinbase's rulemaking petition is "actively harming the industry," the SEC's refusal to state how much additional time it needs to act on Coinbase's petition "confirms that further delay is futile" and, at a minimum, the court should order the SEC to report on its action in more than 60 days and decide the mandamus petition promptly if the SEC has not acted at that time.

On June 20, 2023, Judge Krause issued an order in which it confirmed that the court would retain jurisdiction but would not rule "at this time" on Coinbase's petition for writ of mandamus and noted that the SEC "shall" update the court on its status on October 11, 2023.

The June 6 order can be found [here](#), the SEC's June 13 letter can be found [here](#), Coinbase's June 16 letter can be found [here](#) and the June 20 order can be found [here](#).

Supreme Courts Rules in Favor of Coinbase in Class Action Matter

On June 23, 2023, the U.S. Supreme Court handed down its ruling in the matter of Coinbase, Inc. v Bielski following the filing of a putative class action by Abraham Bielski on behalf of Coinbase users alleging that Coinbase failed to replace funds fraudulently taken from the users' accounts. As Coinbase's User Agreement provided for dispute resolution through binding arbitration, Coinbase had filed a motion to compel arbitration, which the District Court denied, and subsequently filed an interlocutory appeal to the Ninth Circuit. In its ruling, the U.S. Supreme Court held that a district court must stay its proceedings while an interlocutory appeal on the question of arbitrability is ongoing. Justice Kavanaugh, delivering the opinion of the Court, noted that "[i]f the district court could move forward with pre-trial and trial proceedings while the appeal on arbitrability was ongoing, then many of the asserted benefits of arbitration (efficiency, less expense, less intrusive discovery, and the like) would be irretrievably lost".

The Supreme Court ruling can be found [here](#).

SEC Files 13 Charges Against Binance Entities and Founder Changpeng Zhao

On June 5, 2023, the SEC charged Binance Holdings Ltd. (**Binance**), U.S.-based affiliate, BAM Trading Services Inc. (**BAM Trading**), and their founder, Changpeng Zhao, with a variety of U.S. securities law violations. The SEC alleged that, among other things, (i) Zhao and Binance subverted their own controls to secretly allow high-value U.S. customers to continue trading on the Binance.com platform, despite publicly maintaining that U.S. customers were restricted from transacting on Binance.com (the largest crypto asset trading platform in the world), (ii) although Zhao and Binance publicly claimed that Binance.US was created as a separate, independent trading platform for U.S. investors, Zhao and Binance secretly controlled the Binance.US platform's operations behind the scenes, (iii) Zhao and Binance exercised control over the platforms' customers' assets, permitting them to commingle customers or divert customer assets, including to an entity Zhao owned and controlled called Sigma Chain, (iv) BAM Trading and BAM Management US Holdings Inc. misled investors about non-existent trading controls over the Binance.US platform, while Sigma Chain engaged in manipulative trading that artificially inflated the platform's trading volume, and (v) the defendants concealed that it was commingling billions of dollars of investor assets and sending them to a third party, Merit Peak Limited, that is also owned by Zhao. In addition, the SEC's complaint, filed in the U.S. District Court for the District of Columbia, charges violations of key registration-related provisions of the federal securities laws, including that Binance and BAM Trading were operating as unregistered national securities exchanges, broker-dealers and clearing agencies.

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

SEC Seeks and Secures Emergency Relief to Ensure Binance.US Customers' Assets Are Protected

On June 6, 2023, the SEC filed an emergency action application seeking a temporary restraining order freezing assets, directing defendants to repatriate assets held for the benefit of customers of the Binance.US crypto trading platform, and seeking other emergency relief against Binance, BAM Trading, BAM Management US Holdings, Inc., and their founder, Changpeng Zhao, to ensure that Binance.US customers' assets were protected and remained in the United States through the resolution of the SEC's pending litigation.

On June 17, 2023, the SEC secured emergency relief in which all the defendants in the litigation agreed to repatriate to the U.S. assets held for the benefit of customers of the Binance.US crypto trading platform. The consent order from the U.S. District Court for the District of Columbia further prohibits defendants BAM Trading Services Inc. and BAM Management US Holdings Inc. (together, **BAM**) from spending corporate assets other than in the ordinary course of business. According to the SEC's press release, the order helps ensure that Binance.US customers are permitted to withdraw their assets from the platform and that those assets that remain on the platform are protected and remain in the U.S. through the resolution of the SEC's pending litigation against Binance, BAM and Zhao.

The SEC's press releases can be found [here](#) and [here](#), the SEC's brief can be found [here](#) and the consent order can be found [here](#).

U.S. Senators Request DOJ Investigation of Binance's Potentially False Statements to Congress

On June 7, 2023, U.S. Senators Chris Van Hollen and Elizabeth Warren (both members of the Senate Banking Committee) sent a letter to Attorney General Merrick Garland asking the U.S. Department of Justice (DOJ) to investigate the crypto exchanges Binance and Binance.US for potentially making a series of false statements to Congress. The Senators noted that Binance and Binance.US made two representations to Congress: (1) that Binance and Binance.US were separate entities and (2) that Binance.US “prioritized regulatory compliance” and had a “best-in-class compliance function.” According to the letter, if the SEC’s allegations are true, then neither of the foregoing claims could be correct. The letter concluded that this is a “serious matter” as a bipartisan group of senators were seeking information on the cryptocurrency industry in order to inform an ongoing legislative process and it appears that Binance and Binance.US undermined this important investigation and the legislative process by providing false and misleading information to Congress.

The full text of the letter can be found [here](#) and an associated press release can be found [here](#).

Binance Accuses SEC of Making Misleading Statements

On June 21, 2023, Binance, BAM and Changpeng Zhao filed a motion before the U.S. District Court for the District of Columbia requesting that the court issue an order directing counsel for the SEC to comply with “all applicable rules of conduct concerning extrajudicial statements, including ... [providing] that counsel cannot make misleading extrajudicial statements that may materially impact court proceedings.” The motion follows the consent order issued on June 17, 2023 (governing, among other things, the control of BAM’s customer assets) and the subsequent press release issued by the SEC which noted that the consent order was “essential to protecting investor assets,” despite, according to Binance, the SEC having acknowledged to the court that the SEC had “no evidence that BAM customer assets have been dissipated, commingled or misused in any way.” Binance maintained that the SEC’s press release appears to be “designed to introduce unwarranted confusion into the marketplace” and further “risks tainting the jury pool with misleading descriptions of the evidence concerning the Defendants.”

Binance’s motion can be found [here](#).

Key Developments

European Central Bank Reports Confirm Feasibility of Technical Solutions and User Interfaces for a Digital Euro

On May 26, 2023, the European Central Bank published two reports on its market research and prototyping exercise, which were both conducted as part of the investigation phase of the digital euro project. The prototyping exercise (which was conducted during the period between July 2022 and February 2023) concluded that it is possible to smoothly integrate a digital euro into the existing payment landscape all the while leaving scope for the market to use innovative features and technologies when distributing a digital euro. The findings further confirmed that a digital euro could, in principle, work online and offline using different technical designs.

The European Central Bank’s press release can be found [here](#).

CFTC Issues Staff Advisory on Risks Associated with Expansion of Derivatives Clearing Organization Clearing of Digital Assets

On May 30, 2023, the Commodity Futures Trading Commission (CFTC) Division of Clearing and Risk issued a staff advisory on the risks associated with the expansion of Derivatives Clearing Organization (DCO) clearing of digital assets. According to the CFTC's press release, in the past several years, the Division of Clearing and Risk has observed increased interest by DCO's and DCO applicants in expanding the types of products cleared and business lines, clearing models and services DCO's offer, including related to digital assets, and the advisory seeks to remind applicants that the Division of Clearing and Risk is focused on the potentially heightened risks that may be associated with certain clearing activities.

The CFTC's press release can be found [here](#) and the full text of the advisory can be found [here](#).

Hong Kong Securities and Futures Commission Launches New Virtual Asset Trading Platform Licensing Regime

On June 1, 2023, the Hong Kong Securities and Futures Commission's (SFC) new licensing regime for centralized virtual asset trading platforms under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) entered into effect. Under the new regime, centralized virtual asset trading platforms operating in Hong Kong will need to apply to the SFC for a license under the Securities and Futures Ordinance (Cap 571) and/or the AMLO (Dual License Arrangement). The SFC published a number of guidelines setting out the regulatory requirements applicable to licensed virtual asset trading platforms under the new regime, namely the Guidelines for Virtual Asset Trading Platform Operators, the Guidelines on Anti-Money Laundering and Counter-Financing of Terrorism (for Licensed Corporations and SFC-licensed Virtual Asset Service Providers) and the Prevention of Money Laundering and Terrorist Financing Guidelines for Associated Entities of Licensed Corporations and SFC-licensed Virtual Asset Service Providers. The SFC also issued FAQs on licensing matters and a Licensing Handbook for Virtual Asset Trading Platform Operators.

The various guidelines can be found [here](#) and further detail can be found [here](#).

McHenry, Thompson, Hill, Johnson Release Digital Asset Market Structure Proposal

On June 2, 2023, Patrick McHenry (Chairman of the House Financial Services Committee) and Glenn "GT" Thompson (Chairman of the House Committee on Agriculture) released a discussion draft of legislation providing a statutory framework for digital asset regulation intended to "provide clarity, fill regulatory gaps and foster innovation, while providing adequate consumer protections."

The text of the discussion draft can be found [here](#) and further information can be found [here](#).

UK Parliamentary Group Issues Report on Cryptocurrency and Fintech Innovation

On June 5, 2023, the Crypto and Digital Assets All Party Parliamentary Group (APPG) released a report titled 'Realising Government's Vision for the U.K. to Become a Global Hub for Cryptocurrency & Fintech Innovation,' following an initial inquiry launched in August 2022 regarding regulation of the United Kingdom cryptocurrency and digital asset sector. In the report, the APPG makes a number of recommendations to the U.K. Government on key issues surrounding regulation of cryptocurrency and the current role of regulators.

The full report can be found [here](#).

UK Financial Conduct Authority Introduces New Rules for Marketing Crypto Assets

On June 8, 2023, the U.K. Financial Conduct Authority (FCA) published a policy statement (PS23/6) on the financial promotion rules for crypto assets, together with a guidance consultation (GC23/1) in which the FCA seeks feedback on the proposed guidance to the policy statement. The final rules will be confirmed by the FCA and are expected to take effect from October 8, 2023. According to the FCA's press release, the new rules mean crypto firms must ensure that people have the appropriate knowledge and experience to invest in crypto and those promoting crypto must put in place "clear risk warnings and ensure adverts are clear, fair and not misleading." The FCA confirmed that the policy statement will be directly relevant to consumers investing, or who are considering investing, in crypto assets, crypto asset businesses registered with or consider registering with the FCA, overseas crypto asset firms marketing (or considering marketing) to U.K. consumers, authorized firms considering communicating or approving crypto asset financial promotions, trade bodies for the crypto asset sector and other persons involved in communicating crypto asset financial promotions to U.K. consumers.

The FCA's press release can be found [here](#), the policy statement can be found [here](#) and the guidance consultation can be found [here](#).

European Consumer Organization Files Complaint Against Social Media Companies for Facilitating the Misleading Promotion of Crypto Assets

On June 8, 2023, the European Consumer Organisation (BEUC) (an umbrella group of 45 independent consumer organizations from 31 countries) and nine of its members filed a complaint with the European Commission and consumer authorities against Instagram, YouTube, TikTok and Twitter for facilitating the misleading promotion of crypto assets. According to the BEUC, these social media companies are responsible for allowing misleading advertisements of crypto assets to multiply on their platforms which "constitutes an unfair commercial practice, as it exposes consumers to serious harm." The BEUC further called on the Consumer Protection Cooperation Network to request certain improvements from the social media platforms, including stricter advertising policies on the advertising of crypto and the adoption of measures to prevent influencers from misleading consumers as to the nature of crypto. On the same day, the BEUC published its report titled "Hype or harm? The great social media crypto con."

BEUC's press release can be found [here](#) and their report can be found [here](#).

SEC Enforcement Director Maintains Law is Clear on Crypto

On June 16, 2023, SEC Division of Enforcement Director Gurbir Grewal maintained that the SEC intends to apply existing legislation to emerging products until such time as Congress directs it otherwise. The remarks were made at a conference in which Grewal expressed skepticism as to how additional rule making would result in increased compliance without SEC enforcement and further added that there is "a lot of clarity out there" but the real issue is that stakeholders "don't like the results when you apply those rules to their projects." Grewal also commented on "a number of Wells meetings" that appeared to result in the agency deciding against enforcement action.

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

Core Scientific Files Chapter 11 Bankruptcy Plan

On June 20, 2023, Bitcoin miner Core Scientific, Inc. and its affiliated debtors filed its joint Chapter 11 plan in the U.S. Bankruptcy Court for the Southern District of Texas. Core

Scientific serves as one of a number of crypto firms that have filed for bankruptcy in recent months.

The chapter 11 filing can be found [here](#).

Key Recent Enforcement Actions

Former Co-Owner of Minnesota Vikings Sentenced to 75 Months in Prison for Providing Shadow Banking Services to Cryptocurrency Exchanges

On June 5, 2023, the U.S. Attorney for the Southern District of New York announced that Reginald Fowler was sentenced to 75 months in prison for arranging to process more than \$700 million of unregulated transactions on behalf of cryptocurrency exchanges, in violation of federal anti-money laundering laws, lying to U.S. banks to do so and defrauding the Alliance of American Football (AAF, a short-lived professional football league) in connection with his acquisition of a significant ownership stake in the league. In addition to the prison sentence, Fowler was ordered to pay forfeiture of \$740,249,140.52 and restitution in the amount of \$53,189,261.80 to the AAF. According to the U.S. Attorney's Office press release, in less than 10 months, Fowler processed approximately \$750 million in cryptocurrency transactions in various currencies despite neither he nor the relevant companies being licensed as a money transmitting business in the U.S., as required by federal law.

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

Manhattan District Attorney's Office Seizes Scam Cryptocurrency Recovery Site

On June 7, 2023, Manhattan District Attorney Alvin L. Bragg, Jr. announced the office's seizure of the website domain for Coin Dispute Network, a fraudulent cryptocurrency recovery company exposed during an investigation that identified multiple victims in Manhattan and dozens more across the U.S. According to the press release, seizure of the domain for Coin Dispute Network marks the first time a cryptocurrency recovery site, which have increased in popularity in recent years, has been taken down by the Manhattan District Attorney's Office. Coin Dispute Network, a cryptocurrency asset recovery business, purported to act as a tracing and recovery service for people whose cryptocurrency was stolen in exchange for a fee. However, the Manhattan District Attorney's Office alleged the company not only kept the fee but extracted additional Ethereum from their customers by making false promises of asset recovery and generated inaccurate blockchain tracing reports to victims.

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

CFTC Secures Victory Against Ooki DAO

On June 8, 2023, U.S. District Judge William H. Orrick entered a default judgement order that required the defendant Ooki DAO, a decentralized autonomous organization that the CFTC charged with operating an illegal trading platform and unlawfully acting as a futures commission merchant, to pay a civil monetary penalty of \$643,542.00, ordered permanent trading and registration bans and ordered Ooki DAO (as well as any third party providing web-hosting or domain-name registration services) to shut down Ooki DAO's website and remove its content from the internet. Furthermore, in a precedent-setting decision, the court held that Ooki DAO was a "person" under the Commodity Exchange Act and therefore

could be held liable for violations of the law. CFTC Division of Enforcement Director Ian McGinley stated that the “decision should serve as a wake-up call to anyone who believes they can circumvent the law by adopting a DAO structure, intending to insulate themselves from law enforcement and ultimately putting the public at risk.”

The CFTC’s press release can be found [here](#) and the default judgment can be found [here](#).

Russian Nationals Charged with Hacking One Cryptocurrency Exchange and Illicitly Operating Another

On June 9, 2023, the DOJ unsealed charges related to the 2011 hack of the cryptocurrency exchange Mt. Gox and the operation of the illicit cryptocurrency exchange BTC-e. According to court documents, two Russian nationals, namely Alexey Bilyuchenko and Aleksandr Verner, are charged with conspiring to launder approximately 647,000 Bitcoins from their hack of Mt. Gox. Bilyuchenko is also charged with conspiring with Alexander Vinnik to operate BTC-e from 2011 to 2017. According to Assistant Attorney General Kenneth A. Polite, Jr. of the DOJ’s Criminal Division: “These indictments highlight the department’s unwavering commitment to bring to justice bad actors in the cryptocurrency ecosystem and prevent the abuse of the financial system.”

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

Dubai Criminal Court Fines Group More than AED 321,000 in Dubai Bitcoin Scam

On June 9, 2023, a local news agency in the United Arab Emirates (UAE) reported that a group of seven Pakistani and Bangladesh nationals were fined more than AED 321,000 by the Dubai Criminal Court following an elaborate Bitcoin scam operated in the Emirate of Dubai. According to the National News Agency, the group defrauded approximately 180 investors by promising to double their crypto investments and used social media to promote various companies. Local police reported that two members of the group were arrested on the United Arab Emirates UAE-Oman border as they attempted to leave the country and further reported that the relevant company was not authorized to conduct cryptocurrency transactions and the police were gathering more complaints to prepare a single file to present to the court.

The National news article can be found [here](#).

Individual Arrested for Money Laundering Involving Conversion of \$1 Million in Cash to Bitcoin

On June 12, 2023, the U.S. Attorney’s Office, District of Massachusetts announced that Trung Nguyen had been arrested and charged with money laundering in connection with allegedly running an unlicensed, “no questions asked” money transmitting business that converted more than \$1 million in cash to the digital currency Bitcoin, including on behalf of scammers and drug dealers. Nguyen was arrested on June 9, 2023 and, following an initial appearance in federal court in Boston, was released on \$250,000 unsecured bond with conditions. According to the indictment, between September 2017 and October 2020, Nguyen owned and operated National Vending, LLC, through which he accepted cash from customers and, in exchange for a fee, sent them Bitcoin in return. The U.S. Attorney’s Office press release noted that exchangers of virtual currency, including Bitcoin exchangers, were money transmitters under federal law and were subject to federal anti-money laundering (AML) regulations, which required, among other things, registration with the relevant authorities.

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

New York Attorney General Recovers \$1.7 Million from Cryptocurrency Platform for Operating Illegally

On June 15, 2023, New York Attorney General Letitia James announced the recovery of more than \$1.7 million from CoinEx (a Hong Kong-based virtual currency trading platform) for failing to register as a securities and commodities broker-dealer and for falsely representing itself as a crypto exchange. The agreement with CoinEx concluded Attorney General James' lawsuit against CoinEx. It requires the company to refund thousands of New York investors more than \$1.1 million and pay more than \$600,000 in penalties to the state. As part of the consent order, CoinEx is banned from offering, selling or purchasing securities and commodities in New York and is prohibited from making its platform available in the state. In response to the lawsuit, CoinEx announced that it would withdraw its platform and services from the U.S. Attorney General James stated that the "agreement should serve as a warning to crypto companies that there are hefty consequences for ignoring New York's laws."

Attorney General James' press release can be found [here](#).

Bankman-Fried to Face Separate Criminal Trial Following Court Order

On June 15, 2023, District Judge Lewis A. Kaplan issued an order in the matter of *United States of America v. Samuel Bankman-Fried* in which five counts from the superseding indictment were to be severed and scheduled for separate trial (to commence on March 11, 2024). Trial on the pre-extradition charges is scheduled to commence on October 2, 2023. The order followed a request by the government for a specialty waiver from the Bahamas with respect to Bankman-Fried's prosecution on charges first interposed after the date of his extradition.

The court order can be found [here](#).

New Jersey Bureau of Securities Issues Order to Halt Sales of Unregistered Interest-Bearing Crypto Accounts

On June 15, 2023, New Jersey Attorney General Matthew J. Platkin and the Division of Consumer Affairs announced action taken by the New Jersey Bureau of Securities to stop Abra, a California-based crypto company, and its associated entities from violating New Jersey's Uniform Securities Law in connection with the sale of interest-bearing crypto accounts that have raised over \$116 million nationwide, including from investors with nearly 300 New Jersey-based accounts. In the Summary Penalty and Cease and Desist Order, the Bureau of Securities directed Plutus Financial Inc. (doing business as Abra, Plutus Lending LLC and Abra Boost LLC) and its CEO and founder William John "Bill" Barhydt to immediately cease and desist from offering and selling unregistered securities to New Jersey investors and to stop misrepresenting and failing to disclose material facts to investors in connection with the offer and sale of securities. Attorney General Platkin stated that "[a]s this action against Abra demonstrates, crypto asset platforms that flout New Jersey's registration requirements and otherwise deceive and defraud investors will be held accountable for their unlawful conduct."

That same day, the Texas State Securities Board filed an emergency cease and desist order against the Abra businesses and founder, alleging they concealed financial struggles around the platform's interest-bearing Earn and Boost products.

Attorney General Platkin's press release can be found [here](#), the Summary Penalty and Cease and Desist Order can be found [here](#) and the Texas State Securities Board order can be found [here](#).



[New Rules on Marketing Cryptoassets](#) (June 20, 2023)



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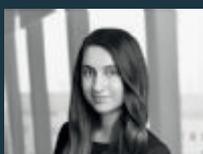
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