



CRYPTO BRIEF



March 6, 2025

Lowenstein Crypto advises leading digital asset and cryptocurrency projects, exchanges, and trading firms. Our practice covers regulatory advice, transactions and structuring advice, investigations, and adversarial matters including commercial disputes, bankruptcy, and related litigation. As these markets continue their rapid growth and market participants continue to evolve and mature their businesses, we are providing this weekly digest as a resource that highlights and summarizes a selection of key recent legal regulatory developments.

Commissioner Hester Peirce Announces Crypto Task Force Staff

On March 3, Securities and Exchange Commission (SEC) Commissioner Hester Peirce, head of the SEC's Crypto Task Force, announced the task force's inaugural members. The Crypto Task Force's staff includes experienced personnel from the Commodity Futures Trading Commission (CFTC) Acting Chair Caroline Pham and other divisions of the SEC. Specifically, the staff includes Richard Gabbert as Chief of Staff, Michael Selig as Chief Counsel, Taylor Ascher as Chief Policy Advisor, Sumeera Younis as Chief of Operations, and 10 other senior advisors. *See the SEC's press release [here](#).*

SEC Crypto Task Force to Host Roundtable on Security Status

On March 3, the SEC announced that its Crypto Task Force will host a series of roundtables to discuss crypto asset regulation. The first roundtable, titled "Spring Sprint Toward Crypto Clarity," is open to the public and will be hosted on March 21 in Washington, D.C. With regard to the upcoming roundtables, Commissioner Peirce emphasized the importance of public engagement in developing a regulatory framework for crypto assets. *See the SEC press release [here](#).*

SEC Continues to Pause on Enforcement Activities Against Crypto Businesses

The SEC continues to pause its pursuits against a number of crypto-related businesses, including Kraken, Cumberland DRW, Yuga Labs (Bored Ape Yacht Club), and Hex. In November 2023, the SEC commenced a lawsuit against Kraken for failing to register as a securities broker, among other matters. According to its blog post on March 3, Kraken stated that the parties have agreed in principle to dismiss the lawsuit with no admission of wrongdoing, penalties, and/or demands to change its business. Cumberland DRW, a crypto asset market maker, also announced via an X post that it signed a joint filing with the SEC to dismiss the case initiated by the SEC back in October 2024, when the SEC alleged Cumberland DRW was operating as an unregistered broker-dealer. According to Yuga Labs, the operator behind Bored Ape Yacht Club, the SEC has also ceased its investigation into whether its non-fungible tokens were functionally securities. *See Kraken's blog post regarding their SEC case dismissal [here](#), Cumberland DRW's X post [here](#), and Yuga Labs' X post [here](#).*

Judge in the EDNY Dismisses Fraud Suit Against Hex

Judge Carol Amon of the U.S. Eastern District of New York granted defendant Richard Schueler's (aka Richard Heart) motion to dismiss the SEC's complaint on February 28. The SEC alleged Heart, along with Hex, et al., violated U.S. securities laws by offering and selling unregistered securities and

by misappropriating investors' funds. Judge Amon reasoned, in part, that the SEC failed to allege that the conduct was directed at the United States, but rather the SEC broadly claimed Heart's conduct "originated abroad through online activities." Judge Amon further held that the SEC failed to state whether the allegations had a "substantial effect in the United States." See *the Memorandum & Order here*.

The Senate Passes CRA Resolution Voting to Repeal the IRS DeFi Broker Rule

On March 4, the U.S. Senate passed a resolution, by vote of 70 to 27, under the Congressional Review Act, which gives Congress limited authority to review and repeal enactments by an outgoing administration. The resolution was introduced by Sen. Ted Cruz (R-TX) and supports overturning an Internal Revenue Service (IRS) rule that would have imposed certain reporting requirements on decentralized finance (DeFi) operators. The IRS' DeFi rule would have expanded the definition of a broker to include DeFi protocols, which could have been impractical for DeFi protocols that operate without a central authority. The resolution will need to pass the House of Representatives before reaching President Donald Trump. See *a copy of the resolution here*, and *the Senate roll call here*.

President Trump to Host First Crypto Summit at the White House

On March 7, the White House will host a summit led by White House AI & Crypto Czar David Sacks. Participants will include prominent cryptocurrency-related founders, executive officers, investors, as well as members of President Donald Trump's Working Group on Digital Assets. Discussions are expected to focus on regulatory oversight and the U.S. cryptocurrency reserve.

Formation of Nonpartisan Congressional Crypto Caucus

On March 3, U.S. Representative Tom Emmer (MN-6) announced the formation of the Congressional Crypto Caucus (Crypto Caucus). U.S. Representative Ritchie Torres (NY-15) is launching the Crypto Caucus alongside Emmer with the goal of advancing crypto-forward policies. The Crypto Caucus will be formed in response to millions of U.S. voters who have asked candidates to prioritize the advancement of digital assets in the U.S. See *Emmer's press release here*.

Single Market? A Simple Market Is Key to U.S. Markets' Success

CFTC Acting Chair Caroline Pham published an article addressing the need for a simple regulatory approach for digital assets in the U.S. In her article, Acting Chair Pham suggests the CFTC extend registration and compliance requirements for retail foreign exchanges to include spot crypto asset markets. Additionally, she notes that the CFTC could use existing regulations for designated contract markets to oversee spot crypto asset exchanges that have a central limit order book and anonymous matching and execution. Lastly, Acting Chair Pham proposes that the SEC and the CFTC could provide joint guidance to bring regulatory certainty to crypto assets. If the regulatory framework is simple, Acting Chair Pham believes that it can be implemented in 12 to 18 months. See *the published article here*.

SEC Releases Statement on Meme Coins

On February 27, the SEC Division of Corporation Finance (Division) released a staff statement providing its views on meme coins. Meme coins are a type of digital asset that are typically purchased for cultural and entertainment purposes and generally have limited use. The Division asserted that the type of meme coins described in its statement do not involve the offer and sale of securities under federal law because they do not yield rights to the future income, profits, or assets of a business. Accordingly, issuers of these types of meme coins do not need to register their offerings with the SEC or fit within an exemption from registration. However, the statement does not broadly claim all meme coins are not securities. Rather, SEC staff specifies that meme coins as described in the statement are likely not investment contracts under the test set forth in *SEC v. Howey*, 328 U.S. 293 (1946) (Howey). Therefore, a meme coin may be an investment contract if, in consideration of the economic realities of the transaction under the Howey test, there is an "investment in an enterprise premised on a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others." See *the SEC statement here*.

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