



CRYPTO B R I E F



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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.

Trump Signs Executive Order To Expand 401(k) Access to Alternative Assets

President Donald Trump signed an executive order on Aug. 7 directing the Department of Labor to review guidelines that could open 401(k) retirement plans to alternative assets like private equity, cryptocurrencies, and real estate. The move builds on previous guidance from the Trump administration and is seen as a significant step for the alternative assets industry, though it raises concerns about increased risk due to factors like high fees and reduced transparency. The order could accelerate a growing trend, with major firms like BlackRock and Empower already planning to include alternative assets in retirement products. *See the White House fact sheet [here](#) and the executive order [here](#).*

Bo Hines Steps Down From White House Crypto Council Role

On Aug. 9, Bo Hines, who led Trump's Council of Advisers on Digital Assets, announced his departure from the role to return to the private sector. Hines played a key role in shaping the Trump administration's cryptocurrency policy, including leading a working group that recently proposed new digital asset regulations and urged the U.S. Securities and Exchange Commission (SEC) to adopt crypto-specific rules. *See Hines' post on X [here](#).*

Exodus Movement To Pay \$2.5M Settlement in Connection With Alleged OFAC Violations

In its Form 10-Q filed on Aug. 11, Exodus Movement Inc., a U.S.-based cryptocurrency wallet provider, disclosed a proposed \$2.5 million settlement with the Office of Foreign Assets Control (OFAC) to resolve allegations of U.S. sanctions violations. According to its Form 10-Q filing, the company has agreed to pay \$2,473,360 in civil penalties and to invest an additional \$630,000 to strengthen its sanctions compliance controls. The settlement stems from OFAC investigations into potential violations related to Iran, following a 2018 subpoena, and possible transactions involving North Korean cyber actors, prompted by a second subpoena in 2021. The company indicated that it voluntarily disclosed the issues, cooperated fully with the agency, and implemented remedial measures to prevent future violations. While the penalty has not yet been published and remains unpaid as of the filing date, the company emphasized that the settlement does not constitute an admission of liability. A final agreement with OFAC is expected to be reached in the third quarter of this year. *See the company's Form 10-Q filing [here](#).*

SEC Ends Lawsuit Against Ripple, Upholds \$125M Fine

The SEC has concluded its high-profile lawsuit against Ripple Labs Inc., maintaining a \$125 million fine and an injunction against selling its XRP token to institutional investors. Both parties agreed to dismiss appeals challenging the ruling by U.S. District Judge Analisa Torres, who had previously found that XRP sales to institutional investors violated securities laws, while public exchange sales did not. This Case, which the SEC initiated by filing its original complaint in Dec. 2020, ends amid a broader shift in SEC enforcement. *See the SEC litigation release [here](#).*

Do Kwon Pleads Guilty in US Court Over Cryptocurrency Fraud

On Aug. 12, Do Hyeong Kwon, the South Korean co-founder and former chief executive officer of Terraform Labs PTE Ltd., pled guilty in the U.S. District Court for the Southern District of New York to one count of conspiring to commit commodities, securities, and wire fraud and to one count of committing wire fraud. According to the superseding indictment and Kwon's admissions, he and others falsely promoted Terraform's algorithmic stablecoin TerraUSD (UST) and LUNA tokens as self-sustaining, decentralized, and fully collateralized while manipulating markets, inflating user metrics, and diverting reserves. The collapse of UST and its companion token LUNA in May 2022 generated investor losses exceeding \$40 billion. Kwon was arrested in Montenegro on March 23 2023, for traveling on a false passport, and he was extradited to the United States on Dec. 31, 2024. He faces a statutory maximum of 25 years in prison and has agreed to forfeit more than \$19 million, including his interests in Terraform and its digital assets. Sentencing is scheduled for Dec. 11. *See the Department of Justice's press release [here](#).*

Paxos Fined \$26.5M by New York for AML Failures Related to Binance Partnership

On Aug. 7, the New York State Department of Financial Services (DFS) announced that Paxos Trust Co. will pay a \$26.5 million penalty for inadequate due diligence of its former partner Binance and systemic weaknesses in its anti-money-laundering (AML) program. DFS' investigation determined that Paxos failed to monitor illicit activity linked to Binance, which purportedly allowed significant transactions involving sanctioned entities and illicit actors to go undetected. Additionally, DFS alleged that Paxos operated an insufficient compliance framework that enabled customers to open multiple accounts undetected and lacked effective transaction monitoring and investigation protocols. Paxos has also agreed to invest \$22 million to improve its compliance systems under DFS supervision. This enforcement follows DFS' 2023 order requiring Paxos to cease issuing Binance USD and represents a landmark regulatory action in the virtual currency sector. *See the press release by DFS [here](#), the consent order [here](#), and the press release by Paxos [here](#).*

T3 FCU Launches T3+ Program To Strengthen Global Blockchain Crime Prevention

On Aug. 12, TRON, Tether, and TRM Labs, the T3 Financial Crime Unit (T3 FCU), announced the launch of T3+, a global collaboration program aimed at enhancing public-private efforts to combat illicit blockchain activity. Binance has joined as the first official member. Since its founding in September 2024, T3 FCU has helped freeze over \$250 million in illicit assets and collaborated with law enforcement across jurisdictions to address crimes such as money laundering, fraud, and terrorism financing. The T3+ program is designed to improve real-time monitoring, streamline communication among stakeholders, and bolster blockchain security. With increasing regulatory focus, the initiative sets a precedent for how industry players and law enforcement can work together to protect the digital asset ecosystem. *See the press release by TRM Labs [here](#).*

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