

Recent Crypto Settlements Signal State and Federal Enforcement Trends

Article By:

Moorari Shah

A.J. S. Dhaliwal

Alyssa Paddock

On January 26, the California DFPI [announced](#) its participation in a \$22.5MM multi-state into a [settlement](#) with a Cayman Islands digital asset firm to resolve a securities enforcement action in connection with the platform's earn interest product program. A North American Securities Administrators Association working group—composed of the DFPI and state regulators from Washington, Kentucky, New York, Oklahoma, Indiana, Maryland, South Carolina, Vermont, and Wisconsin—collaborated in the investigation into the firm. The group alleged that the platform failed to register as a securities and commodities broker but told investors that it was fully in compliance (we discussed similar actions in a previous blog post [here](#)). The DFPI's previous desist-and-refrain [order](#) concluded that the earn interest accounts, which enables retail investors to earn interest upwards of 36% APR on crypto assets, constituted the unqualified sale of securities in the form of investment contracts in violation of California law.

On February 9, the SEC filed a [complaint](#) against a cryptocurrency exchange for failing to register the offer and sale of their crypto asset staking-as-a-service program. The SEC alleges that the exchange offered and sold its crypto asset “staking services” to the general public, whereby it pools certain crypto assets transferred by investors and stakes them on behalf of those investors. Staking is a process in which investors lock up – or “stake” – their crypto tokens with a blockchain validator with the goal of being rewarded with new tokens when their staked crypto tokens become part of the process for validating data for the blockchain. According to the SEC, when investors provide tokens to staking-as-a-service providers, they lose control of those tokens and take on risks associated with those platforms, with very little protection. The absence of any registration statement means that investors have lacked material information about the program, such as “business and financial condition of Defendants, the fees charged by Defendants, the extent of Defendants’ profits, and specific and detailed risks of the investment, including how Defendants determine to stake investor tokens or purportedly hold them in reserve and the extent of these purported liquidity reserves, or whether tokens are put to some other use.”

To settle the SEC's charges, the exchange agreed to immediately cease offering or selling securities

through crypto asset staking services or staking programs and pay \$30 million in disgorgement, prejudgment interest, and civil penalties.

Putting it into Practice: Despite the lack of any formal rulemaking process governing crypto lending, these settlements reflect a heightened awareness and commitment of resources by federal and state agencies in regulating and prosecuting lenders operating in the digital asset and cryptocurrency space. It is apparent that companies offering crypto asset lending products are under the microscope, and regulators will pursue enforcement actions before engaging in a formal rulemaking process to clarify the legal framework that governs these financial products.

Copyright © 2025, Sheppard Mullin Richter & Hampton LLP.

National Law Review, Volume XIII, Number 41

Source URL: <https://natlawreview.com/article/recent-crypto-settlements-signal-state-and-federal-enforcement-trends>