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Gibson Dunn Digital Assets Recent Updates – February 2024

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We are pleased to provide you with the next edition of Gibson Dunn's digital assets regular update. This update covers recent legal news regarding all types of digital assets, including cryptocurrencies, stablecoins, CBDCs, and NFTs, as well as other blockchain and Web3 technologies. Thank you for your interest. **ENFORCEMENT ACTIONS**

UNITED STATES

- **SDNY Hears Coinbase Motion Seeking to End SEC Lawsuit** On January 17, the United States District Court for the Southern District of New York heard arguments on Coinbase's motion for judgment on the pleadings in the enforcement action that the SEC has brought against the crypto exchange. The SEC, which brought the action in June, contended that certain digital-asset transactions meet the Supreme Court's four-part *Howey* test for establishing the existence of an investment-contract security. Key to the lawyers' disagreement was whether token purchasers actually obtain a "contract" when they purchase digital assets. The SEC argued that purchasers buy into a "token ecosystem" that acts as a common enterprise, and that each transaction in that ecosystem operates as a contract. Counsel for Coinbase disagreed, stating that an investment contract requires "a statement that is meant to convey an enforceable promise" and that the difference between digital assets and securities is akin to "the difference between buying Beanie Babies Inc. and buying Beanie Babies." Over four hours, Judge Katherine Polk Failla asked questions of both sides. She questioned the agency's proposed legal standard, particularly whether it was "sweeping too broadly" and would raise the "specter of collectibles being regulated by the SEC." Reuters, CoinDesk, WSJ, Yahoo Finance.
- **SDNY Rules that Terraform Labs Sold Unregistered Securities** On December 28, the U.S. District Court for the Southern District of New York ruled that Terraform Labs, a blockchain developer, offered and sold unregistered securities. Applying the Supreme Court's *Howey* test, Judge Jed Rakoff concluded that Terraform's tokens, TERRA and LUNA, were investment-contract securities. While Judge Rakoff granted summary judgment on the question of whether Terraform sold unregistered securities, he dismissed the SEC's fraud claims against Terraform. A civil trial over Terraform's alleged securities violations is set to begin on March 25, 2024. Reuters; CoinDesk; Reuters.
- **Binance Seeks Dismissal of Claims in Dispute with SEC** On January 22, Judge Amy Berman Jackson of the U.S. District Court for the District of Columbia heard argument on Binance Holding Limited's and BAM Trading Services's motions to dismiss a lawsuit brought by the SEC. The SEC has alleged, among other things, that Binance.com and Binance.US offered and sold unregistered securities and facilitated their trading without proper registration. Among other things, BHL and BAM contend that the crypto assets at issue are not securities and are therefore outside the scope of the securities laws, and that the SEC's claims concerning transactions on Binance.com impermissibly seek to extend the securities laws beyond U.S. borders. During the motion-to-dismiss hearing, Judge Jackson questioned the SEC's lawyers on the scope of the agency's theories, remarking at one point that the agency's arguments would seem to suggest that "all digital

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assets, at the end of the day, have the earmark of securities." Judge Jackson also pushed the SEC on why the agency had taken so long to begin enforcement against digital asset companies. "[W]here has the agency been," she asked, "if it's so obvious that these are securities"? Reuters, Yahoo Finance, Law360.

- **FTX Abandons Efforts to Revive Defunct Crypto Exchange and Focuses on Repaying Customers** On January 31, attorneys for the now-defunct cryptocurrency exchange FTX informed the United States Bankruptcy Court for the District of Delaware that FTX's restructuring plans would focus on repaying customers in full but would not include a reboot of the trading platform. Counsel for FTX noted that the firm would "anticipate filing a disclosure statement in February describing how customers and general unsecured creditors will eventually be paid in full." The statement comes after a December 2023 ruling that sided with FTX's debtors, who proposed that claimants receive repayments based on the prices of crypto assets at the time of FTX's bankruptcy. However, attorneys for FTX stated that "[t]he costs and risks of creating a viable exchange from what Mr. [Sam] Bankman-Fried left in a dumpster were simply too high." Guardian; CoinDesk; Cointelegraph.
- **DOJ Charges Creator of BTC-e Crypto Exchange with Money Laundering** In December 2023, Latvian authorities arrested Belarusian-Latvian entrepreneur Aliaksandr Klimenka at the behest of U.S. authorities. On January 30, 2024, the Department of Justice unsealed the indictment against Mr. Klimenka. The DOJ has charged Mr. Klimenka for allegedly laundering more than four billion dollars' worth of proceeds from criminal activities from the now-defunct cryptocurrency exchange platform BTC-e from 2011 to 2017. The indictment further alleges that BTC-e was a cybercrime and money laundering entity that developed a reputation for criminal activity by facilitating crimes including hacking, fraud, identity theft, public corruption, and drug trafficking. The DOJ's allegations in the indictment also include that BTC-e was not registered as a money services business with the Department of Treasury despite doing substantial business within the country. If convicted, Mr. Klimeka could face up to 25 years in prison. DOJ; CoinDesk.
- **DOJ Charges Three Individuals With Siphoning $400 Million from FTX in SIM-Swap Fraud** On January 24, the DOJ charged three suspects with the high-profile theft of $400 million from FTX accounts on the day that the exchange filed for bankruptcy. In the indictment, prosecutors alleged that Robert Powell, Emily Hernandez, and Carter Rohn had used a fake ID with FTX employee credentials to transfer the employee's mobile phone account to another SIM card, access authentication codes, and drain the exchange's crypto wallets. The DOJ further alleges that the trio pulled off a number of other crypto heists, including a $1 million theft from another victim also in early November 2022. WSJ; Bloomberg.
- **FTX Customers File Suit Over Digital Asset Ownership** On February 1, customers of the now-defunct cryptocurrency exchange FTX filed a Chapter 11 adversary suit in Delaware bankruptcy court. The plaintiffs argue that they own the digital assets that were held in their customer accounts and, consequently, that the customers should not be treated as secured creditors and that the digital assets in their accounts should not be considered as part of the bankruptcy estate. FTX filed for Chapter 11 protection in November 2022 after the exchange collapsed under a surge of customer withdrawals. Law360.
- **Prosecutors Decide Not to Proceed with Second Trial Against Sam Bankman-Fried** On December 29, prosecutors informed a New York federal court that they would not pursue a second trial against FTX founder Sam Bankman-Fried. In November 2023, Mr. Bankman-Fried was convicted on seven counts concerning fraud and conspiracy against FTX customers and FTX's sister hedge fund, Alameda Research. An additional trial was scheduled to begin in March 2024 concerning several more criminal counts on conspiracy and substantive securities and commodities fraud. But prosecutors dropped the charges, explaining that "a second trial would not affect the United States Sentencing Guidelines range for the

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defendant, because the court can already consider all of this conduct as relevant conduct when sentencing him for the counts that he was found guilty of at the initial trial." Sentencing is scheduled for March 28, 2024. CNBC; Reuters.

- **BarnBridge DAO and SEC Reach Settlement** On December 22, BarnBridge DAO, which runs a small DeFi protocol, reached a more than $1.7 million settlement with the SEC to settle charges for failing to register the offer and sale of cryptocurrency, and its two founders, Tyler Ward and Troy Murray, will each pay a civil penalty of $125,000. According to the SEC, the DAO's SMART Yield bonds pooled cryptocurrencies deposited by investors and then used those assets to generate returns to pay investors, collecting at least $509 million from crypto investors, including some investors who reside in the U.S. According to the SEC, BarnBridge compared the SMART Yield bonds to asset-backed securities and marketed them to the public. In a press release regarding the settlement, Gurbir S. Grewal, director of the SEC's Division of Enforcement, said that "[t]he use of blockchain technology for the unregistered offer and sale of structured finance products to retail investors runs afoul of the securities laws," and further stated that "[t]his case serves as an important reminder that those laws apply to all who wish to access our capital markets, regardless of whether they are, or purport to be, incorporated, decentralized or autonomous." BarnBridge agreed to shut down its SMART Yield bonds. SEC;The Block; CoinDesk; Cointelegraph.
- **SEC, Genesis Agree to $21 Million Settlement in Crypto Enforcement Action** On February 1, the SEC and Genesis asked a New York judge to approve a settlement that would end the SEC's enforcement action by granting the SEC a subordinated claim for a $21 million civil penalty. In January 2023, the SEC filed a civil action alleging that Genesis had engaged in the unregistered sale of securities. Law360.
- **Abra Settles with Texas State Securities Board** On January 23, Crypto lender Abra resolved the Texas State Securities Board's allegations that it offered unregistered investment contracts and failed to disclose its financial difficulties. Abra agreed to return $1.8 million to Texas investors and to pay an administrative fine that will be rescinded once the firm demonstrates that it has returned investors' funds. The Texas State Securities Board chose not to pursue a monetary penalty against Abra because of the company's potential insolvency. The investigation is part of a broader investigation by state securities regulators, and the settlement allows other states to participate under the same terms as Texas, paving the way for approximately 12,000 U.S. investors to claim approximately $13.6 million. Law360.
- **Department of Energy Seeks Information Regarding Cryptocurrency Mining Energy Consumption** On January 31, the Energy Information Administration (EIA), a statistics agency under the Department of Energy (DOE), announced that it is initiating an emergency mandatory survey requiring information related to electricity consumption from cryptocurrency mining companies operating in the U.S. The survey, which will run from February through July 2024, will require companies to provide information on mining activities, quantity and type of chip use, electricity consumption, and the names of energy companies with which the miner has signed agreements, among other data collection. The EIA says that developing more information about cryptocurrency mining in the U.S. and its effects on electricity demand is important to provide context for energy policymakers, energy planners, and the general public. Some stakeholders have raised concerns that the mandatory survey represents a campaign against bitcoin mining, cryptocurrency, and U.S.-led innovation, and that the data collected could be used to pressure energy companies to cease working with crypto miners. EIA Statement; CoinDesk; CoinDesk; Smart Energy International.

INTERNATIONAL

- **Nexo's Money Laundering Investigation in Bulgaria Closed Due to Lack of**

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Evidence In January 2023, Bulgarian prosecutors launched an investigation into crypto lender Nexo and executives Kosta Kanchev, Antoni Trenchev, Trayan Nikolov, and Kalin Metodiev, for alleged money laundering, tax offenses, banking without a license, and computer fraud. However, on December 22, the Bulgarian Prosecutor's Office closed its investigation due to lack of evidence of criminal activity, dropping all charges against Nexo and the executives. According to an official statement from the Prosecutor's Office, the main reasoning behind the decision to drop all charges was that Nexo's crypto assets are not considered financial instruments in the country and reside outside of laws for payment services and systems. "The dropping of all charges made against Nexo and its executives by the Bulgarian Prosecutor's Office, with their confirmation that there were no crimes, unequivocally shows that the whole attack on Nexo was political and should not have happened in the first place," Nexo co-founder and managing partner Antoni Trenchev said. CoinDesk; The Block; Cointelegraph.

- **Alberta Securities Commission Commences Investigation into Crypto Exchange Platform Catalyx After Catalyx Suspends Operations** On December 28, Canadian crypto exchange platform Catalyx announced that its management had discovered a security breach that resulted in the loss of "a portion of crypto assets." Following this announcement, Catalyx suspended its trading, deposits, and withdrawals. By ceasing trade on its site, Catalyx complied with an interim order from the Alberta Securities Commission (ASC) on December 21 that required the platform to cease trading for fifteen days. On January 5, the ASC filed an extended order prohibiting the platform and its CFO, Jae Ho Lee, from trading or purchasing securities and derivatives until January 2025. The ASC is also investigating whether Catalyx and Lee breached Alberta's securities laws and whether the platform breached its responsibilities in its pre-registration undertaking. CoinDesk; Alberta Securities Commission.

REGULATION AND LEGISLATION

UNITED STATES

- **SEC Approves Spot Bitcoin ETPs** On January 10, the SEC, finding sufficient means of preventing fraud and manipulation, approved the listing and trading of 11 spot bitcoin exchange-traded products (ETP). SEC Chair Gary Gensler stated that the Commission's decisions were "the most sustainable path forward" in light of "changed" circumstances, notably the D.C. Circuit's recent holding that the SEC failed to adequately explain its disapproval of Grayscale's proposed ETP. Commissioner Hester Peirce celebrated the decision but criticized the Commission for having previously deprived "investors of the opportunity to gain exposure to bitcoin in a more convenient and investor-friendly way." In their first week, the 11 approved spot ETPs saw a cumulative trading volume of $14 billion. The SEC requires that sponsors of bitcoin ETPs fully disclose their products in public registration statements and periodic filings. Notwithstanding the SECs approval of Bitcoin ETPs, the Commission is currently reviewing several other digital currency ETPs whose approval remains uncertain. Financial Times; Reuters; CoinDesk; Chair Statement; Commissioner Statement; ThinkAdvisor.
- **Receipts Depository Corporation to Issue Bitcoin-Based Depository Receipts** On January 4, Receipts Depository Corporation (RDC) announced the launch of the first Bitcoin depository receipt. Depository Receipts are exempt from registration under the Securities Act of 1933 to Qualified Institutional Buyers. PR Newswire; The Block; Coin Market Cap.
- **IRS's New Crypto Tax Reporting Laws Postponed** On January 16, the IRS postponed a new requirement that businesses and professional traders receiving over $10,000 of cryptocurrencies report the transactions to the IRS. The IRS has been critiqued for not **providing** enough guidance as to what would qualify as a "trade or business" subject to the reporting requirements, and the announcement

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does not indicate when the IRS will publish additional guidance. The reporting requirements would include submitting the names, addresses, and Social Security number of the sender, as well as the date, amount and the nature of the transaction. It remains to be seen how a DAO would comply with these requirements. In June 2022, Coin Center filed suit against the Treasury Department, challenging the constitutionality of these reporting requirements. The case is still pending. Blockworks; Coin Center; Yahoo; JDSupra; IRS Announcement.

- **New York State Comptroller Issues Report on State Department of Financial Services Crypto Oversight** The Office of the New York State Comptroller issued an audit report of the New York Department of Financial Services' (DFS) oversight of virtual currency licensing. The report found that DFS lacked policies and procedures to provide assurance that the "oversight of the application, supervision and examination of BitLicensees was appropriate." The report charges the agency, which is the only U.S. regulator with comprehensive rules for virtual assets, of falling short in several areas. DFS's shortcomings included missing fingerprint data, unavailable information on applicants' tax obligations, long gaps between risk assessments and applicant approvals, missing financial information and insufficient cybersecurity compliance from BitLicensees. CoinDesk; Audit Report.
- **Commodity Future Trading Commission (CFTC) Issues Report on Decentralized Finance** On January 8, the CFTC's Digital Assets and Blockchain Technology Subcommittee of the Technology Advisory Committee released a report entitled Decentralized Finance (DeFi). The report argues that DeFi's benefits and risks depend on the design and features of specific systems. It emphasizes that DeFi systems lack clear lines of responsibility and accountability and that the inherent anonymity of the DeFi ecosystem opens the door to money laundering and terrorism financing. The report calls on policymakers to identify and prioritize projects based on the nature and scale of the risks arising in connection with DeFi and to focus on digital identity, know your customer (KYC), and anti-money laundering (AML) regimes as well as calibration of privacy in DeFi. CoinDesk; CFTC Commissioner Statement; Report.
- **The Financial Industry Regulatory Authority (FINRA) Adds Cryptocurrency Asset-related Activity to Its Annual Report** On January 9, FINRA issued its annual regulatory oversight report that provides member brokerage firms and exchange markets with compliance and regulatory guidance. The report covers 26 topics and focuses on cybersecurity, cryptocurrency assets, and artificial intelligence's potential impact on regulatory obligations. The report advises member firms seeking to engage in crypto asset-related activity to identify and address relevant regulatory and compliance challenges and risks. This includes reviewing and evaluating their supervisory programs and controls, their compliance policies and procedures in areas such as cybersecurity, AML compliance, communications with customers, manipulative trading, performing due diligence on crypto asset private placements, and supervising their associated persons' involvement in crypto asset-related outside business activities and private securities transactions. Planadviser; FINRA Report.
- **FINRA Crypto Asset Sweep Finds False and Misleading Statements and Misrepresentations** On January 23, FINRA published a report of crypto assets that found "potential substantive violations" in 70% of the materials that it reviewed. FINRA's targeted crypto asset sweep, which began in November 2022, found numerous violations of Rule 2210, which requires fair and balanced communications from broker dealers. FINRA found instances in which firms failed to differentiate between crypto assets offered directly and those offered through affiliates, implications that crypto assets functioned like cash, and comparisons of crypto assets to stocks, and unclear and misleading explanations of how crypto assets work. Law360; FINRA Update.

INTERNATIONAL

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- **Coinbase Approved as Virtual Asset Services Provider in France** On December 12, Coinbase announced that it received registration as a Virtual Asset Services Provider (VASP) in France, allowing it to offer a "full suite of retail, institutional, and ecosystem products and services" in the country. In a statement, the company said: "Today we have reached a significant milestone in Coinbase's continued international expansion journey . . . . This registration allows Coinbase to operate in France, continuing our plans to grow across Europe." Registering as a VASP allows the exchange to offer custody of digital assets, buying and selling of digital assets for fiat currency and trading of digital assets. Coinbase; CoinDesk.
- **U.K. Issues Regulations for Digital Assets Sandbox** On December 18, the U.K. introduced new regulations that allow the Financial Conduct Authority (FCA) and the Bank of England to operate the Digital Securities Sandbox (DSS) for tokenized securities. Since January 8, U.K.-based investment exchanges, recognized central counterparties, and central securities depositories and investment firms have been allowed to apply to participate in the sandbox to test new solutions and products under regulatory supervision. CoinDesk; Blockworks; U.K. Regulations.
- **Hong Kong Regulators Say They Are Ready to Consider Spot ETF Applications** In a joint circular issued on December 22, Hong Kong's Securities and Futures Commission (SFC) and Monetary Authority (HKMA) said that regulators are ready to consider applications for spot crypto exchange-traded funds (ETFs). In addition to existing crypto futures ETFs, the SFC said that it is "prepared to accept applications for the authorisation of other funds with exposure to virtual assets, including virtual asset spot exchange-traded funds (VA spot ETFs)." The SFC said that cryptocurrency transactions conducted by ETFs must occur through SFC-licensed crypto platforms or authorized financial institutions. In contrast to the widespread crackdown on cryptocurrency activities in mainland China, Hong Kong has been receptive to crypto firms over the past year, and its government has actively encouraged those firms to collaborate with banks. "The virtual asset landscape has evolved rapidly and begun to expand into mainstream finance," the SFC and HKMA said in the joint statement, further noting that demand for such products has increased in Hong Kong. Cointelegraph; The Block; CoinDesk; Blockworks; Joint Circular.
- **Nigeria Lifts Restrictions on Bank Accounts for Crypto Firms** In a circular sent to banks on December 22, the Central Bank of Nigeria (CBN) announced that it has lifted restrictions on Nigerian banks facilitating cryptocurrency transactions, stating that the increasing global demand and adoption of crypto has made it unjustifiable to maintain the country's restrictions imposed on financial institutions in 2021. The 2021 order banned banks from crypto-related transactions. Now, the CBN has provided clear guidelines to banks supporting crypto, but with stringent KYC and AML checks. The guidelines aim to establish minimum standards and requirements for establishing banking relationships and opening accounts for virtual asset service providers (VASPs) in Nigeria. However, the statement emphasized that financial institutions are still prohibited from holding, trading, or conducting transactions in cryptocurrency using their own accounts. Further, VASPs in the country will need to be regulated by Nigeria's SEC before being allowed to operate in the country, and must deposit at least 500 million Naira (~$550,000 USD) in a bank account in order to obtain a license. Nigeria, Africa's most populous nation, has seen growing crypto adoption in recent years. Cointelegraph; The Block; Bloomberg; CBN Circular.
- **Japan's Cabinet Proposes Scrapping Corporate Tax on Unrealized Crypto Gains** On December 25, Japan's cabinet approved a fiscal year 2024 tax regime revision that would exclude corporations from paying tax on unrealized crypto gains if they hold the assets longer term. The revision would be applied to companies that own cryptocurrencies issued by third parties. Currently, third-party-issued cryptocurrencies held by corporations are regarded as profits or losses based on the difference between market value and book value at the end of the

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fiscal year. The revision intends to stipulate that such mark-to-market valuation would no longer be applied if companies hold the assets for the long term, meaning companies would be taxed only on profits generated from the sale of cryptocurrency. However, the proposed revision still needs to be submitted for full legislative approval by the Diet, Japan's parliament, which began an ordinary session on January 26 that is set to run through June 23. The Block; CoinDesk.

- **Argentinian President Milei Introduces Sweeping Crypto Asset Regularization Bill** On December 27, newly elected President of Argentina, Javier Milei, introduced sweeping omnibus legislation that seeks to regularize the use of assets, including crypto holdings. Under President Milei's proposed asset regularization program, Argentinian citizens who declare both foreign and domestic crypto assets before March 31, 2024, will receive a five-percent flat tax on those assets without providing additional documentation on the original source of those assets. Citizens who declare after March 31, 2024, will see that tax rate increase to as high as fifteen percent by November 30, 2024. The bill—which has faced strong public opposition—comes as part of President Milei's promise to change or deregulate hundreds of economic regulations in order to revive the country's struggling economy. CoinDesk; Yahoo Finance; Business Insider.
- **South Korea Proposes Ban on Credit Card Payments for Cryptocurrencies** On January 3, South Korea's Financial Services Commission (FSC) announced plans to prohibit local citizens from purchasing cryptocurrency with credit cards, citing risks about the illegal outflow of domestic funds overseas. Cointelegraph; CoinDesk; FSC Proposal.

CIVIL LITIGATION

UNITED STATES

- **Bankman-Fried Reaches Settlement With FTX Debtors Over Embed Deal** On December 22, three debtors of bankrupt cryptocurrency exchange FTX—Alameda Research Ltd., West Realm Shires Inc., and West Realm Shires Services Inc.—announced that they had reached a settlement with convicted former chief executive Sam Bankman-Fried and two of his former associates, cofounder Gary Wang and former head of engineering Nishad Singh, resolving some claims over the 2022 acquisition of stock trading platform Embed. Under the deal, the FTX debtors will recover 100% of the value that Bankman-Fried, Wang, and Singh obtained in connection with the Embed acquisition, and also all assets held under the defendants' names at Embed. The deal solely resolves one set of claims filed by the debtors related to the acquisition, accusing Bankman-Fried, Wang, and Singh of using $248 million of misappropriated FTX group funds and assets to pay for their shares of Embed. The debtors are seeking bankruptcy court approval of the settlement. Law360.
- **Celsius Exits Chapter 11 Bankruptcy and Begins Transition from Crypto Lender to Bitcoin Miner** On January 31, Celsius Network announced that it had officially resolved its Chapter 11 bankruptcy and would start distributing over $3 billion to creditors. The United States Bankruptcy Court for the Southern District of New York approved Celsius Network's bankruptcy plan on November 9, 2023, resolving a restructuring process that began over 18 months ago after Celsius filed for Chapter 11 bankruptcy in July 2022. Pursuant to the approved bankruptcy plan, Celsius' creditors will receive cryptocurrency, fiat, and common stock in a new bitcoin mining company. Celsius will now begin to wind down its operations, including discontinuing their mobile and web applications. Reuters; The Block; Business Wire; CoinDesk.

SPEAKER'S CORNER

UNITED STATES

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- **SEC Denies Coinbase Rulemaking Petition; Coinbase Sues** On December 15, the SEC by a 3–2 vote denied Coinbase's petition for rulemaking, which asked the agency to clarify its views on whether and how the securities laws apply to digital assets. The Commission said in a short letter denying the petition that it would not propose new rules because it disagreed that current regulations are "unworkable" for the digital asset industry. SEC Chair Gary Gensler issued a statement in support of the Commission's denial. Commissioners Hester Peirce and Mark Uyeda issued a dissenting statement saying that Coinbase's petition "raises issues presented by new technologies and other innovations, and addressing these important issues is a core part of being a responsible regulator." Coinbase has filed a petition for review in the United States Court of Appeals for the Third Circuit challenging the SEC's denial. Chair Statement; Peirce and Uyeda Statement; Reuters.
- **Donald Trump Opposes Creation of Central Bank Digital Currency (CBDC)** In a New Hampshire campaign speech, former President Donald Trump promised to prevent the creation of a CBDC if reelected. On January 22, Trump called such a currency a "dangerous threat to freedom" that would give the federal government "absolute control over your money." Trump joined other Republican presidential candidates in opposing a U.S. CBDC and credited former presidential candidate Vivek Ramaswamy for his position. Republican Majority Whip Tom Emmer praised Trump's opposition to a CBDC and said that he looked forward to working with Trump "against the expanding government surveillance state." Bloomberg; CoinDesk; CoinTelegraph.
- **Federal Reserve Publishes Paper Examining Impacts of CBDCs and Stablecoins on Monetary Policy Implementation** On January 16, Federal Reserve economists published a paper examining the implications of introducing new types of "fixed-rate financial assets" in the financial system, including retail and wholesale CBDCs and stablecoins, on the Federal Reserve's implementation of monetary policy. The paper is another in a series of papers issued by Federal Reserve staff that have explored CBDCs, stablecoins, blockchain technology, tokenization and other forms of financial innovation, and their impacts on the traditional banking sector and the Federal Reserve's monetary policy toolkit. Release; Paper.

INTERNATIONAL

- **Chinese Central Bank Urges World to Jointly Regulate Crypto** In its latest financial stability report published on December 22, the People's Bank of China (PBoC) has addressed issues related to cryptocurrency regulation and decentralized finance, stressing the need for the industry to be regulated using joint efforts by different countries. The PBoC also reports that the cryptocurrency market accounts for 1% of the global financial system, and its connection with traditional finance is limited. The PBoC called on governments worldwide to apply the approach of "same business, same risks, same supervision" to avoid regulatory arbitrage, referring to vulnerabilities to hacker attacks, market manipulation, and concerns related to DeFi government mechanisms. The report is reportedly the first financial stability report of the PBoC that has devoted a separate section to crypto assets. Cointelegraph; Financial Stability Report.

OTHER NOTABLE NEWS

- **Arkon Energy Raises $110M to Grow U.S. Bitcoin Mining Capacity** On December 22, Arkon Energy, an Australian data center infrastructure company, closed a $110 million private funding round to expand its operations in the U.S., just six months after first entering North America. The new sites are set to triple its capacity to 300 megawatts (MW). Arkon's CEO Josh Payne said, "The U.S. is an attractive market for us in many ways, largely because of the enormous domestic customer demand, a mature and robust energy industry with several flexible and

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deregulated markets, political and regulatory stability, and attractiveness to institutional investors." Payne continued, "The U.S. has an abundance of stranded, underutilized power generation assets that are connected to some of the lowest-cost electricity sources in the world, many of which are renewable." $80 million of the funding round will go toward Arkon's U.S. expansion, with the other $30 million earmarked for an artificial intelligence cloud service project at Arkon's 30MW data center in Norway. TechCrunch; Blockworks.

- **Binance.US Hires New Chief Compliance Officer** On January 4, Binance.US announced the hiring of Lesley O'Neill as their new Chief Compliance Officer. O'Neill joins from Prove Identity, a digital verification platform for banks, financial services companies, and e-commerce merchants, where O'Neill also served as Chief Compliance Officer. Binance; Law360; The Block.
- **Spain's Central Bank, Banco de España, Selects Collaborators to Test Central Bank Digital Currency** On January 3, Spain's central bank, the Banco de España, selected three collaborators to participate in testing a central bank digital currency (CBDC). A year ago, Banco de España published an open call for partners; out of 24 applications received over the past year, the three collaborators chosen were Cecabank, Abanca, and Adhara. Banco de España; Cointelegraph.
- **Coinbase Set to Offer Crypto-Linked Derivatives in EU Markets** On January 5, Coinbase announced plans to offer crypto-linked derivatives in the European Union (EU) market. Coinbase announced that they had entered into an agreement to purchase a holding company that holds a Markets in Financial Instruments Directive II (MiFiD II) license required to provide regulated derivatives, including futures and options. Coinbase; CNBC;Cryptonews.
- **DCG Repays More Than $1B in Debt to Creditors, Including Subsidiary Genesis** On January 5, Digital Currency Group announced it had completed a payoff of all the short-term loans from subsidiary Genesis. To date, DCG's total debt payment has surpassed $1 billion, with approximately $700 million paid to Genesis alone. X; Blockworks.

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