

Securities Regulation Daily Wrap Up, BLOCKCHAIN—S.D.N.Y.: SEC action against Coinbase for alleged registration failures dismissed, (Feb 28, 2025)

By Rebecca E. Hoffman, J.D.

The SEC and Coinbase agreed to a joint stipulation of dismissal, predicated on the SEC's recent establishment of a "Crypto Task Force," which will take precedence in developing a comprehensive regulatory framework for crypto assets.

The SEC [announced](#) Feb. 27 that it entered into a [joint stipulation](#) with Coinbase, Inc. and Coinbase Global, Inc. to dismiss the enforcement action pending against the Coinbase entities in the Southern District of New York. The impetus for the dismissal is the "launch[of] a crypto task force dedicated to helping the Commission develop the regulatory framework for crypto assets," according to the parties' agreement ([SEC v. Coinbase, Inc.](#), No. 1:23-cv-04738-KPF (S.D.N.Y. Feb. 27, 2025)).

"The Commission's decision to exercise its discretion and dismiss this pending enforcement action rests on its judgment that the dismissal will facilitate the Commission's ongoing efforts to reform and renew its regulatory approach to the crypto industry, not on any assessment of the merits of the claims alleged in the action," the SEC explained.

Charges against Coinbase. The SEC's [complaint](#) asserted that Coinbase entities failed to register as a securities exchange, broker, and clearing agency. It further alleged that Coinbase engaged in the unregistered offer and sale of securities in connection with its staking-as-a-service program. Through this program, Coinbase pooled investors' crypto assets and then "staked" (i.e., committed) them in exchange for rewards, which Coinbase distributed pro rata to investors after paying itself a commission.

In March 2024, the district court [ruled](#) that the SEC plausibly alleged that at least some crypto-asset transactions offered on Coinbase's platform and through its staking program constitute investment contracts. The district court also found that the SEC plausibly claimed that Coinbase operated as an unregistered intermediary of securities and engaged in the unregistered offer and sale of securities.

This dismissal is part of a [wave](#) of withdrawals and postponements of enforcement actions against crypto exchanges and platforms occurring in recent days. Included in this rollback are proceedings against Uniswap Labs, Robinhood Crypto, Binance, and OpenSea.

Commissioner clash. Commissioner Hester M. Peirce issued a [statement](#) in support of the dismissal. The SEC had been attempting to regulate the crypto industry through widespread enforcement instead of policymaking, she said. "[T]he Commission's policy staff could not engage productively with the public to build a workable regulatory framework for crypto absent a Commission directive to do so," she said. "The current Commission has now issued such a directive with the formation of the Crypto Task Force: It is the policy staff who will take the lead in engaging with the public to build a regulatory framework that serves the American public."

For her part, Commissioner Caroline A. Crenshaw [reasoned](#) that "whatever the law may be tomorrow, market participants should not be able to avoid the law as it stands today." She called the Coinbase decision "regulation by non-enforcement." Quoting her colleague's statement, she said "[i]t may well be that 'environments in which the law is unclear are havens for bad actors,' but wholesale failure to enforce the law seems worse."

The case is [No. 1:23-CV-04738-KPF](#).

Attorneys: Ben Ninan Kuruvilla for the SEC. Kevin S. Schwartz (Wachtell, Lipton, Rosen & Katz) for Coinbase, Inc. and Coinbase Global, Inc.

Companies: Coinbase, Inc.; Coinbase Global, Inc.

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