Securities Regulation Daily Wrap Up, BLOCKCHAIN—S.D.N.Y.: SEC tells court its crypto backdown is 'exceptional circumstances' justifying Ripple penalty reduction, (Jun 13, 2025)

By Lene Powell, J.D.



The SEC and Ripple Labs are determined to reduce a $125 million civil penalty obtained in a 2024 judgment, saying it would clear the way to resolve appeals.

Trying again to reduce a $125 million penalty it obtained against Ripple Labs last year, the SEC told a federal district court that a shift in its crypto policy represents "exceptional circumstances" that support modifying an August 2024 judgment. The SEC pointed to its dismissal of multiple crypto enforcement actions as well as the launch of its Crypto Task Force as evidence of a change in SEC policy on crypto (*SEC v. Ripple Labs, Inc.*, No. 1:20-cv-10832-AT-SN (S.D.N.Y. Jun. 12, 2025)).

The court previously denied a joint request related to reducing the penalty to $50 million, finding no "exceptional circumstances" to justify modifying the final judgment.

SEC v. Ripple judgment. The SEC obtained the $125 million penalty against Ripple in an August 2024 decision by Judge Analisa Torres in the Southern District of New York. The court imposed the penalty following a July 2023 ruling that Ripple's sales of XRP tokens to institutional investors constituted the unregistered offer and sale of investment contracts in violation of Section 5 of the Securities Act. In that ruling, the court also found that "programmatic" sales of tokens to retail investors on trading platforms were not unregistered sales of securities.

Both sides appealed the July 2023 ruling to the Second Circuit. The appeal was paused in April 2025 after the parties indicated they had reached a settlement.

Request to reduce penalty. In May 2025, the SEC announced it had reached a settlement agreement with Ripple and its leadership to reduce the penalty to $50 million and release the remainder of the funds to Ripple. The parties jointly asked the court for an indicative ruling that the court would modify the judgment.

However, the court denied the request. The court said the parties improperly styled the request as "settlement approval" when they should have requested relief from the judgment under Rule 60. The parties made no effort to meet the "heavy burden" of showing "exceptional circumstances" for Rule 60 relief, the court said.

"Exceptional circumstances." In a new joint request, the parties said exceptional circumstances exist to reduce the penalty to $50 million.

The parties pointed to a substantial policy shift at the SEC regarding crypto assets. First, on January 21, 2025, then-Acting SEC Chairman Mark Uyeda launched a crypto task force dedicated to helping the SEC further develop the regulatory framework for crypto assets. Second, in the exercise of its discretion and as a policy matter, the SEC dismissed by joint stipulation several crypto asset-related enforcement actions.

The parties cited examples of SEC crypto enforcement actions dismissed by joint stipulation:

- SEC v. Cumberland DRW LLC, No. 1:24cv9842 (N.D. Ill.), ECF No. 46 (Mar. 27, 2025) (Joint Stipulation to Dismiss, and Releases) and ECF No. 47 (Mar. 31, 2025) (order dismissing case pursuant to stipulation);

- SEC v. Consensys Software Inc., No. 1:24cv4578 (E.D.N.Y.), ECF No. 25 (Mar. 27, 2025) (Joint Stipulation to

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Dismiss, and Releases);

- SEC v. Payward, Inc., No. 3:23cv6003 (N.D. Cal.), ECF No. 127 (Mar. 27, 2025) (Joint Stipulation to Dismiss and Releases);

- SEC v. Coinbase, Inc., No. 1:23cv4738 (S.D.N.Y.), ECF No. 178 (Feb. 28, 2025) (Joint Stipulation to Dismiss, and Releases) and ECF No. 179 (Mar. 4, 2025) (Mandate of 2d Circuit, indicating dismissal of the interlocutory appeal pursuant to stipulation).

According to the parties, termination of the Ripple appeals would be consistent with these dismissals. For this to happen, the Ripple injunction needs to be dissolved, they said.

The parties said the requested modification reflects a “reasonable compromise” that avoids further litigation risk and expenditure of party and judicial resources. Further, the public interest in preserving the Court’s substantive rulings on the merits of the SEC’s claims will not be impaired.

SEC crypto shift. While the SEC aggressively pursued crypto enforcement under previous Chair Gary Gensler, current Chairman Paul Atkins has signaled a softer approach.

In June 3 testimony before a Senate Appropriations subcommittee, Atkins said it is a “new day” at the SEC and a “key priority” to develop a “rational regulatory framework” for crypto asset markets. Atkins wants the SEC to establish “clear rules of the road” for the issuance, custody, and trading of crypto assets, while continuing to discourage bad actors from violating the law.

In June 9 remarks, Atkins said he has asked staff to consider a conditional exemptive relief framework or “innovation exemption” to expeditiously allow registrants and non-registrants to bring on-chain products and services to market. According to Atkins, such a framework could help fulfill President Trump’s vision to make America the “crypto capital of the planet.”

This is case No. 1:20-cv-10832-AT-SN.

Judge: Torres, A.

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