

Securities Regulation Daily Wrap Up, BLOCKCHAIN—2nd Cir.: SEC reportedly agrees to drop enforcement action against Coinbase, (Feb 21, 2025)

By [Lene Powell, J.D.](#)

Coinbase would have a freer hand in operating its crypto trading platform the SEC withdraws its litigation.

Coinbase leadership announced that the SEC has agreed to dismiss its enforcement action against the crypto giant. The enforcement action, filed in 2023, alleges multiple violations by Coinbase entities involving failure to register.

Coinbase CEO Brian Armstrong announced the news in a video on the X social media platform.

"Today is a really good day because we just heard from the SEC staff that they're planning to withdraw the litigation against Coinbase," [said](#) Armstrong. "Now, this still needs to be approved by the SEC commissioners, but we're hoping that happens next week."

Coinbase Chief Legal Officer Paul Grewal also announced the news on X.

"Today we can announce upon full Commission approval [@SECGov](#) is dropping our case," Grewal [stated](#). "There will be no settlement or compromise—a wrong will simply be made right."

An SEC spokesman declined to comment.

Coinbase enforcement action. The SEC [charged](#) that Coinbase entities failed to register as a securities exchange, broker, and clearing agency. The SEC further alleged that Coinbase engaged in the unregistered offer and sale of securities in connection with its staking-as-a-service program.

Coinbase is [seeking interlocutory review](#) in the Second Circuit of a [March 2024 district court order](#) that found the SEC plausibly alleged that at least some crypto-asset transactions offered on Coinbase's platform and through its Prime 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.

In the Second Circuit appeal, the SEC [requested an extension until March 14](#) to file its answer to Coinbase's petition for permission to appeal.

In the request for extension, the SEC said a recently launched crypto task force's work "may affect and could facilitate the potential resolution of both the underlying district court proceeding and potential appellate review."

Expected dismissal. In a post on the Coinbase blog, Grewal said "dismissal will be a major win for the rule of law" and called for legislation to provide legal certainty.

"To ensure innovation continues in America and a rogue regulator cannot weaponize the lack of clarity again, it is critical that we pass legislation which provides the long-term certainty needed for the US to lead in this industry," [wrote](#) Grewal.

This is case No. 25-145 (2d Circuit); 23 Civ. 4738 (KPF), 23-cv-4738 (Southern District of New York).

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