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Regulatory Recap
May 15, 2025

Notable Developments:

- **House Financial Services Committee Releases Draft Bill on Digital Asset Regulation**
- **GENIUS Act Cloture Vote Fails in Senate**
- **FINRA and Department of Justice Oppose Petition Before Supreme Court for Review of Challenge to FINRA's Authority**
- **President Trump Signs Resolutions Nullifying CFPB Rules**

SEC Enforcement:

- **SEC Settles Civil Enforcement Against Ripple Labs, Inc.**

In Case You Missed It:

- **SEC Changes Date for Roundtable on DeFi**
- **SEC Commissioners Explore Improvements to Reg A Offering Exemption Framework as Viable Option for Crypto Offerings**
- **FINRA Fines Goldman Sachs for CAT Trade Reporting Failures**
- **CFTC Staff Put on Leave**

Notable Developments:

House Financial Services Committee Releases Draft Bill on Digital Asset Regulation

On May 5, 2025, House Financial Services Committee Chairman French Hill [released](#) a draft of a [bill](#) that would create a comprehensive regulatory framework for digital assets, including clarifying oversight responsibilities between the SEC and CFTC.

The "Digital Asset Market Structure Discussion Draft" would, among other things:

- (1) Clarify the determination whether a digital asset falls under SEC or CFTC jurisdiction;
- (2) Give the SEC oversight to digital assets offered through investment contracts or that otherwise qualify as securities;
- (3) Give the CFTC oversight to digital commodities;

- (4) Require issuers of restricted digital assets to register with the SEC and disclose certain information;
- (5) Permit secondary trading of restricted digital assets under specific conditions, after disclosure;
- (6) Establish dual registration for digital asset intermediaries with both the SEC and CFTC under a shared supervisory regime;
- (7) Establish compliance standards for digital commodity exchanges;
- (8) Direct the SEC and CFTC to coordinate on rulemakings, supervision and enforcement;
- (9) Mandate studies on decentralized finance and SROs to assess risks, benefits and potential oversight models; and
- (10) Preempt conflicting state laws while preserving state authority to police fraud and manipulation.

GENIUS Act Cloture Vote Fails in Senate

On May 8, 2025, the Senate [failed](#) to pass a procedural motion to invoke cloture on the "[Guiding and Establishing National Innovation for U.S. Stablecoins Act](#)." The vote was 49–48. Proponents of the bill claimed opponents were favoring obstruction over innovation, while certain opponents of the bill suggested a modified bill that contained stronger anti-corruption provisions and provisions to allow stablecoins to work in existing securities legal architecture might find additional votes.

FINRA and Department of Justice Oppose Petition Before Supreme Court for Review of Challenge to FINRA's Authority

In opposing a [petition](#) before the US Supreme Court that challenges the constitutionality of the self-regulatory organization's ("SRO") enforcement powers, the Justice Department and FINRA each filed its opposing brief on April 25, 2025, arguing that the SRO operates as a private entity subject to extensive SEC oversight and does not violate constitutional separation of powers. The Supreme Court case docket is [here](#).

The specific case, *Alpine Securities Corporation v. Financial Industry Regulatory Authority, et al*, involves a registered broker-dealer that challenged FINRA disciplinary actions. The firm filed suit against FINRA, arguing that FINRA's enforcement structure was unconstitutional because: (i) FINRA wields regulatory power without presidential supervision; (ii) FINRA's hearing officers exercise significant federal authority but are not appointed in compliance with the Appointments Clause; and (iii) FINRA's ability to expel members without SEC review violates the "private non-delegation doctrine."

On November 22, 2024, the US Court of Appeals for the DC Circuit [ruled](#) that FINRA cannot enforce an expulsion order against the firm before the SEC reviews it. However, the Court rejected the claim that mere participation in an expedited proceeding constitutes irreparable harm. The Appellate Court distinguished the firm's claims from the Supreme Court's holding in [Axon v. FTC](#), which found constitutional injury in enforcement proceedings by governmental agencies.

The United States [argued](#) in opposition to Supreme Court's review, parsing the meaning and extent of "irreparable harm." FINRA, arguing in part separately from the Department of Justice's brief, [argued](#) that the Exchange Act expressly envisions private regulatory bodies operating under SEC supervision, with rules and remedies that are subject to SEC review.

Both the United States and FINRA asked the Court to deny *certiorari*, citing (i) the case's interlocutory posture; (ii) the lack of a circuit split; and (iii) the firm's forfeiture of key arguments in the lower courts.

President Trump Signs Resolutions Nullifying CFPB Rules

On May 10, 2025, President Trump [signed](#) two joint resolutions passed by Congress that nullified final rules adopted by the Consumer Financial Protection Bureau. The rules, finalized in late 2024 regarding price caps on overdraft fees and digital consumer payment applications, fell within the "lookback" period under the Congressional Review Act.

SEC Enforcement:

SEC Settles Civil Enforcement Against Ripple Labs, Inc.

On May 8, 2025, the SEC [announced](#) a settlement with Ripple Labs, Inc. In December 2020, the SEC sued Ripple for failing to register its crypto tokens as securities. As a result of the court's findings, Ripple was ordered to pay civil penalties and was enjoined from further violations of the Securities Laws. Ripple appealed the judgment.

The announced settlement returns some of the civil penalties to Ripple and vacates the injunction. In a statement, the SEC's decision "rests on its judgment that such resolution will facilitate the Commission's ongoing efforts to reform and renew its regulatory approach."

In a letter of [dissent](#), SEC Commissioner Caroline A. Crenshaw noted that the settlement undermines the court's order, abrogates the SEC's obligation to enforce the law, clouds rather than clarifies the existing state of the law as it pertains to digital assets, resulting in a disservice to the market and undermines the credibility and work of the SEC's own representatives.

In Case You Missed It:

SEC Changes Date for Roundtable on DeFi

On May 5, 2025, the SEC's Crypto Task Force held a roundtable titled "[Tokenization — Moving Assets Onchain: Where TradFi and DeFi Meet](#)." The next SEC Crypto Task Force roundtable, "[DeFi and the American Spirit](#)," has been rescheduled from June 6 to June 9. All those who previously registered were informed of the change of date, and their registrations have been carried forward to the new date. [New registrations](#) can continue to be completed.

SEC Commissioners Explore Improvements to Reg A Offering Exemption Framework as Viable Option for Crypto Offerings

On May 6, 2025, at a meeting of the SEC's Small Business Capital Formation Advisory Committee, SEC Chair Paul Atkins and Commissioner Hester Peirce spoke about reexamining the utility of Regulation A as a capital-raising tool.

Commissioner Peirce [asked](#) for input on whether Reg A could serve as a viable path for public crypto offerings and whether certain crypto assets should be treated as equity for Reg A purposes. Chair Atkins [observed](#) that Reg A continues to lag in usage compared with other exemptions such as crowdfunding and Rule 504. Both Ms. Peirce and Mr. Atkins encouraged the Committee to consider reforms to Regulation A that could reduce compliance costs and expand access, particularly for novel issuers such as crypto ventures.

FINRA Fines Goldman Sachs for CAT Trade Reporting Failures

On May 12, 2025, Goldman Sachs & Co., LLC [settled](#) FINRA charges for failing to accurately report data to the Consolidated Audit Trail ("CAT") Central Repository, and for related supervisory, trade reporting and recordkeeping failures.

According to FINRA's letter of acceptance, waiver and consent, Goldman failed to accurately report "approximately 36.6 billion equity order events" to the CAT. FINRA found that the flawed reports were the result of an "inaccurate data field" caused by "coding errors" in the firm's reporting system. FINRA said that the firm experienced six distinct CAT reporting errors, two of which accounted for the majority of the inaccurate submissions.

FINRA determined that the firm created and retained over 90 million inaccurate order memoranda and 372,260 inaccurate customer confirmations. As a result, FINRA found that the firm violated FINRA Rules 2010, 2232, 3110, 4511, 6830, 6893, 7230, 7330, 6380 and 6622; Exchange Act Section 17(a); and Exchange Act Rules 17a-3 and 10b-10.

CFTC Staff Put on Leave

On May 5, 2025, the CFTC [announced](#) that certain staff members were placed on administrative leave. The CFTC stated that the leave concerned "potential violations of laws,

government ethics requirements and professional rules of conduct.” According to the agency release, the CFTC made the decision pursuant to the President's [Executive Order](#) on "lawful governance" and accountability.