

ALERT

DOJ Disbands Crypto Enforcement Unit

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In a significant shift in enforcement strategy, the U.S. Department of Justice (DOJ) disbanded its National Cryptocurrency Enforcement Team (NCET), effective immediately. According to the April 7 memo announcing the decision, “[t]he Justice Department will no longer pursue litigation or enforcement actions that have the effect of superimposing regulatory frameworks on digital assets while President Trump’s actual regulators do this work outside the punitive criminal justice framework.” In addition, DOJ’s Market Integrity and Major Frauds Unit will shift its focus from crypto to other priorities. The DOJ’s decision serves the policies of President Trump’s crypto Executive Order by ending “regulation by prosecution” and refocusing criminal enforcement efforts on bad actors. This is further support for the regulatory and white-collar enforcement predictions we shared on our most recent CryptoCounsel podcast episode.

Takeaways

Reduced enforcement against crypto companies. The DOJ will stop targeting virtual currency exchanges, mixing and tumbling services, and offline wallets based on user actions or unintentional regulatory breaches. The DOJ is also stepping back from pursuing cases of unlicensed money transmission, Bank Secrecy Act violations, and registration failures unless it is clear the defendants acted willfully.

Enhanced focus on bad actors. The DOJ will continue to investigate and prosecute conduct that victimizes investors, such as misappropriation of customer funds, scams, hacks, and rug pulls, as those actions would help build public confidence in the digital asset markets. Prosecutors will also aggressively pursue crypto cases involving transnational criminal organizations, designated terrorist organizations, and cartels.

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Proposed victim-protection laws. The memo directs the Office of Legislative Affairs and the Office of Legal Policy to propose victim-protective legislation and regulations that would allow investors to recover the full present value of their crypto, as opposed to the value as marked from the time of the fraud.

The DOJ's disbandment of NCET is the latest move to implement the new Administration's more supportive stance toward the digital asset sector. While this change is consistent with greater regulatory certainty for crypto businesses, it underscores the need for increased vigilance regarding serious crimes and bad actors. In other words, crypto companies may have greater latitude to move fast and break things, but they should take care not to break the law.

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