



May 22, 2025

Dear Securities and Exchange Commission Crypto Task Force,

The Anti-Fraud Coalition (“TAF Coalition”) is a nonpartisan, public interest, non-profit organization dedicated to defending and empowering whistleblowers who expose fraud on the government and the financial markets. We write to offer our members’ continuing assistance in helping the Securities and Exchange Commission (“SEC”) root out fraud and market manipulation in the crypto industry and to encourage the Task Force to recommend that the Commission continue to robustly police securities fraud involving digital assets.<sup>1</sup>

In her February 4, 2025, “The Journey Begins” Statement, Commissioner Hester Peirce wrote that the SEC will not “tolerate liars, cheaters, and scammers.”<sup>2</sup> Since the enactment of the Dodd Frank Act in 2010, and even before,<sup>3</sup> whistleblowers have been helping the SEC protect investors from liars, cheaters, and scammers. According to the SEC’s whistleblower office, by the end of fiscal year 2022 (the last year for which this information was reported), “[e]nforcement actions brought using information from meritorious whistleblowers ha[d] resulted in orders for more than \$6.3 billion in total monetary sanctions, including more than \$4.0 billion in disgorgement of ill-gotten gains and interest, of which more than \$1.5 billion ha[d] been, or [was] scheduled to be, returned to harmed investors.”<sup>4</sup> The SEC’s whistleblower program leverages private citizens with access to inside information or skills in advanced analysis as an enforcement force multiplier.<sup>5</sup>

Whistleblowers play a key role identifying frauds involving all kinds of assets. They have brought crypto frauds to the attention of the SEC and helped the SEC to successfully hold the responsible fraudsters accountable. According to the SEC Whistleblower Office 2024 annual report, whistleblowers self-categorized 8% of all tips received by the office as “Initial Coin Offerings and Crypto Asset Securities.”<sup>6</sup> Also in 2024, trial testimony from two whistleblowers

---

<sup>1</sup> Throughout this letter, we will use the words crypto, cryptocurrency, and digital asset interchangeably to refer to digital assets recorded on a blockchain.

<sup>2</sup> Commissioner Hester M. Peirce, *The Journey Begins* (Feb. 4, 2025), <https://www.sec.gov/newsroom/speeches-statements/peirce-journey-begins-020425>.

<sup>3</sup> See, e.g. the involvement of whistleblowers in exposing frauds at Enron, WorldCom, and Bernard L. Madoff Investment Securities LLC.

<sup>4</sup> SEC, *2022 Annual Report to Congress on the Dodd-Frank Whistleblower Program* (Nov. 15, 2022), [https://www.sec.gov/files/2022\\_ow\\_ar.pdf](https://www.sec.gov/files/2022_ow_ar.pdf).

<sup>5</sup> See generally Benjamin Schiffrin, Better Markets special report, *The SEC’s Whistleblower Program Is Key to Protecting the Economy and Main Street Americans’ Wallets* (Jan. 30, 2025), [https://bettermarkets.org/wp-content/uploads/2025/01/BetterMarkets\\_Whistleblower\\_Report\\_01-30-2025.pdf](https://bettermarkets.org/wp-content/uploads/2025/01/BetterMarkets_Whistleblower_Report_01-30-2025.pdf).

<sup>6</sup> The actual percentage of digital asset-related tips may have been higher, since the whistleblowers may have selected other categories for their tips, such as “Manipulation,” which accounted for 37% of tips.



helped the SEC secure the largest monetary penalty in a single case that year.<sup>7</sup> Whistleblowers can and do help the SEC protect those harmed by crypto-related fraud.

Accordingly, TAF Coalition encourages the Task Force to make two critical recommendations to the Commission: (1) that some digital assets are securities, and (2) that the SEC direct sufficient resources into crypto enforcement to create consequences for liars, cheaters, and scammers. Below, we discuss each of these proposed recommendations. But we begin by highlighting the need for both robust enforcement and SEC leadership.

### **1. Crypto fraud harms investors.**

Most people buy cryptocurrency as an investment.<sup>8</sup> Many Americans, however, are wary of investing in cryptocurrency.<sup>9</sup> Increasing confidence in the safety and fairness of cryptocurrency markets may promote its adoption.

According to the leading blockchain tracing firms, fraud continues to bedevil the crypto industry. Chainalysis' 2025 Crypto Crime Report found that cryptocurrency wallets associated with illicit activity received over \$40 billion in 2024. The company expects to revise that figure up to \$51.3 billion by the end of the year, as they identify additional illicit wallets.<sup>10</sup> Similarly, blockchain tracing firm TRM estimates 2024 illicit volume at over \$44 billion and also expects to revise that figure upward.<sup>11</sup> While these statistics include all manner of wrongdoing from ransomware payments to child sexual exploitation and terrorist financing, traditional securities fraud schemes play a significant role in the illicit crypto ecosystem.

It is difficult to quantify crypto pump and dump schemes, wash trading, front running, and other forms of manipulation. TRM's 2024 crime report doesn't try, while Chainalysis analyzes only trading on decentralized exchanges where trading volumes are lower but transactions are more transparent than on centralized exchanges. Still, Chainalysis estimates that in 2024 3.59%

---

<sup>7</sup> See *SEC v. Terraform Labs Pte Ltd., et al.*, No. 1:23-cv-1346 (JSR), Final Judgment (S.D.N.Y. Jun. 12, 2024).

<sup>8</sup> See, e.g. YouGov, *Cryptoassets consumer research 2024 (Wave 5) On behalf of the [United Kingdom] Financial Conduct Authority*, 27 (Mar. 2025), <https://www.fca.org.uk/publication/research-notes/cryptoasset-consumer-research-2024-wave-5.pdf> ("The leading reason to buy a cryptoasset is as part of a wider investment portfolio, a reason which rose in popularity by 6 percentage points to 36%. The previous most popular reason was as a gamble which could make or lose money, which fell by 14 percentage points to 26%.").

<sup>9</sup> <https://www.pewresearch.org/short-reads/2024/10/24/majority-of-americans-arent-confident-in-the-safety-and-reliability-of-cryptocurrency/>

<sup>10</sup> Chainalysis, *The 2025 Crypto Crime Report*, 2 (Feb. 2025), <https://go.chainalysis.com/2025-Crypto-Crime-Report.html>.

<sup>11</sup> TRM, *2025 Crypto Crime Report*, 2 (2025), [https://cdn.prod.website-files.com/6082dc5b670562507b3587b4/67a66929a076faf602d64b4c\\_TRM%202025%20Crypto%20Crime%20Report.pdf](https://cdn.prod.website-files.com/6082dc5b670562507b3587b4/67a66929a076faf602d64b4c_TRM%202025%20Crypto%20Crime%20Report.pdf).



of all launched tokens display patterns that may be linked to pump-and-dump schemes.<sup>12</sup> Academic studies have found that up to 23 million individuals are involved in pump-and-dump schemes organized on social media platforms like Telegram, and that 25% of cryptocurrencies listed on Binance—the highest volume cryptocurrency exchange—have been targeted by pump-and-dump schemes.<sup>13</sup> In a 2022 working paper based on 2019 data, researchers found that wash trading accounted for an average of 53.4% of the volume on ten “Unregulated Tier 1” exchanges, including Binance, OKX, Bitfinex, and KuCoin.<sup>14</sup>

In its 2025 crime report, Chainalysis provides a useful summary of the problem of crypto market manipulation:

Market manipulation remains a critical concern for both crypto industry participants and authorities as they strive to keep pace with the rapidly-evolving sector. The complex and dynamic nature of market manipulation, compounded by crypto’s unique characteristics — such as its pseudonymity and decentralization — heightens the challenge. A robust and coordinated approach is therefore essential — one that fully harnesses the power of on-chain data and analytics to enable proactive detection and prevention of manipulative activities.<sup>15</sup>

The same can be said for crypto fraud more generally. Pseudonymity and decentralization hold an allure for fraudsters seeking to avoid detection. Many fraudsters appear to feel it is easier to commit fraud and get away with it in the crypto industry than in traditional finance. The government must recognize this and erect appropriate guardrails while allowing the industry’s legal uses to thrive.

## **2. Some digital assets are securities.**

The SEC must exercise its power to police securities fraud in whatever form it occurs. The weight of judicial decisions has heavily favored the conclusion that some sales of digital assets

---

<sup>12</sup> Chainalysis, *The 2025 Crypto Crime Report*, at 48.

<sup>13</sup> Lanouar Charfeddine et al., *What drives cryptocurrency pump and dump schemes: Coin versus market factors?*, Finance Research Letters, Vol. 67, Part B (Sept. 2024), <https://www.sciencedirect.com/science/article/pii/S1544612324008912#sec3>.

<sup>14</sup> Lin William Cong et al., *Crypto Wash Trading*, Working Paper 30783 (National Bureau of Economic Research, Dec. 2022), <https://www.nber.org/papers/w30783> (The researchers defined “unregulated” as not licensed by the New York State Department of Financial Services.).

<sup>15</sup> Chainalysis, *The 2025 Crypto Crime Report*, at 52.



constitute offerings of securities.<sup>16</sup> This is consistent with the fact that many people invest money in digital assets expecting profits derived from the efforts of others (to borrow from the well-known “*Howey test*” promulgated by the Supreme Court in 1946 and used ever since to evaluate all manner of “investment contracts”). Some crypto companies and promoters lead investors to believe that buying their token is an investment in a common enterprise. For example, the popular buy-burn tokenomics model—in which transaction fees are used to buy and “burn” tokens, creating scarcity and upward price pressure—links the performance of a chain or exchange with its utility token.

TAF Coalition acknowledges that drawing the line between security and non-security in the digital asset space is difficult, and it applauds the Commission’s current effort to balance innovation and investor safety. TAF Coalition supports any effort to provide clarity to the market, and takes no position on whether a safe harbor, regulatory sandbox, or any other effort to afford the industry room to experiment, grow, and prosper is the appropriate approach. TAF Coalition, however, recommends that the SEC bring the full force of its considerable resources to bear when a digital asset is marketed as an investment in the profitability of an enterprise and that enterprise (or a market intermediary) commits fraud or manipulates the market for the asset. Investors expect the SEC to keep capital markets safe, including markets for digital asset securities.

**3. The SEC is uniquely suited to fighting securities fraud in crypto and should devote sufficient resources to doing so.**

The SEC has led the federal government’s fight against crypto fraud and market manipulation. The Department of Justice (“DOJ”) and the Commodity Futures Trading Commission (“CFTC”) have also played an admirable and essential roles in fighting fraud, but both have their limitations. The DOJ’s criminal jurisdiction should be reserved for the most egregious, willful behavior. As the Deputy Attorney General recently stated in a memo with the subject line “Ending Regulation By Prosecution,” “The Department of Justice is not a digital assets regulator.”<sup>17</sup>

Unlike the DOJ, the CFTC and the SEC are both civil regulators. The CFTC has brought cases that have successfully held crypto fraudsters to account. However, its enforcement budget is

---

<sup>16</sup> John Reed Stark, former Chief of the SEC’s Office of Internet Enforcement, has provided an excellent summary of recent cases to address whether particular crypto assets are securities. @JohnReedStark, Twitter (Dec. 10, 2024), <https://x.com/JohnReedStark/status/1866525846124564623>.

<sup>17</sup> Memorandum from Deputy Attorney General Todd Blanche to All Department Employees regarding Ending Regulation By Prosecution (Apr. 7, 2025), <https://www.justice.gov/dag/media/1395781/dl?inline>.



roughly ten times smaller than the SEC's.<sup>18</sup> TAF Coalition members have worked successfully with the dedicated enforcement staff at the CFTC to great effect. Nonetheless, its able public servants are human, and there are only so many hours in the day. According to the CFTC whistleblower office's 2024 annual report, "digital asset cases accounted for nearly 50% of the CFTC's enforcement docket, and the majority of whistleblower tips the CFTC received [in 2024] involved digital assets."<sup>19</sup> As our members can attest, the CFTC does not have the resources to investigate all the tips they would want to investigate. Meritorious tips have been waiting months or years for enforcement resources to become available. Even if the CFTC's budget were significantly increased to compensate for a statutory increase in its jurisdiction (or a policy decision to increase its responsibility), it would have to hire and train new staff, which could take years.

The SEC not only has the budget but also the expertise to fight crypto fraud. It should stay in the fight.

#### **4. Conclusion**

TAF Coalition and its members help the government fight fraud. In purely regulatory matters, we are agnostic. Nonetheless, as the SEC evaluates its role in regulating an industry, which, despite its promise, has been prone to fraud because of its novelty and the expectation of financial secrecy built into its products, TAF Coalition raises here in support of robust fraud enforcement.

The SEC should provide fair guidance to market participants. It should not regulate through enforcement. But it should remain steadfast in protecting investors in securities markets through robust enforcement of existing anti-fraud protections. TAF Coalition and its members stand ready to assist the SEC in that endeavor.

Sincerely,  
Jacklyn DeMar  
President & CEO, The Anti-Fraud Coalition

---

<sup>18</sup> In 2024, the CFTC had the equivalent of 161 fulltime enforcement staff, while the SEC had the equivalent of 1,512. *Compare* CFTC, President's Budget Fiscal Year 2025, 12 (Mar. 11, 2024), [https://www.cftc.gov/sites/default/files/CFTC%20FY%202025%20President's%20Budget Final for%20Posting.pdf](https://www.cftc.gov/sites/default/files/CFTC%20FY%202025%20President's%20Budget%20Final%20for%20Posting.pdf) to SEC, Fiscal Year 2025 Congressional Budget Justification, Annual Performance Plan, 12 (Mar. 3, 2024), <https://www.sec.gov/files/fy-2025-congressional-budget-justification.pdf>.

<sup>19</sup> CFTC Whistleblower Program & Customer Education Initiatives, *2024 Annual Report* (Oct. 2024), <https://www.whistleblower.gov/sites/whistleblower/files/2024-11/FY24%20Customer%20Protection%20Fund%20Annual%20Report%20to%20Congress.pdf>.