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Charges Dropped Against Early Cryptocurrency Exchange Operator

Go-To Guide

- In early 2025, a federal judge dismissed charges against an Indiana businessman for failure to register his cryptocurrency exchange platform with Financial Crimes Enforcement Network (FinCEN).
- In doing so, the court noted that FinCEN had not put the industry on notice that cryptocurrency businesses could be subject to the registration requirement until late 2013, after the core time period at issue in the indictment.
- Although the Department of Justice (DOJ) immediately appealed the decision, it later withdrew its appeal and voluntarily dismissed all proceedings against the defendant on April 23.
- This dismissal of charges against an early cryptocurrency exchange operator follows DOJ's recent announcement of a nationwide shift in its approach to digital asset enforcement.

In late April, at the government's request, an Indiana federal judge put a final end to the prosecution of an Indiana man for allegations that he engaged in unlicensed money transmission (and related tax offenses) in connection with his operation of a virtual currency exchange from 2009 to 2013.[1] The case represents a

[1] *United States v. Pilipis*, Case No. 1:24-cr-00009-JMS-MKK.

relatively rare instance in which a court granted a pretrial motion to dismiss charges related to unlicensed money transmission, although the impact of the decision may be limited to cases from 2013 and earlier—the year that FinCEN issued key guidance on the topic. The case has also attracted attention for what it may signal about DOJ's digital asset enforcement priorities.

United States v. Pilipis

In early 2024, federal prosecutors in Indiana charged Maximiliano Pilipis with money laundering and willful failure to file tax returns, based on allegations that, from 2009 to 2013, Pilipis operated cryptocurrency exchange platform AurumXchange that was required to, but did not, register as a money transmitting business.

The Bank Secrecy Act requires money transmitters to register with FinCEN, and 18 U.S.C. § 1960 makes it a crime, among other things, to knowingly operate an unregistered money transmitting business. In 2013 and again in 2019, FinCEN issued guidance to clarify that the definition of money transmitter includes those who make a business of accepting, exchanging, and transmitting virtual currencies such as Bitcoin. And Congress, in the Anti-Money Laundering Act of 2020, codified the extension of money transmission to any transfers of "value that substitutes for currency."[2] Notably, however, the conduct at issue in the Pilipis indictment predated that guidance and legislation.

In a motion to dismiss the indictment, Pilipis argued that the government already investigated AurumXchange 14 years ago and did not identify any wrongdoing. He also argued that at the time his business was operational, the legal framework surrounding virtual currencies was ambiguous, and prior to March 2013, it was unclear whether entities like AurumXchange were even required to register with FinCEN.

In February 2025, the court dismissed the money laundering counts to the extent they were predicated on a violation of § 1960 prior to the issuance of the 2013 FinCEN guidance, concluding that AurumXchange had no obligation to register with FinCEN prior to that guidance. The court allowed the tax charges to proceed and also indicated that there was a fact issue about whether any of the alleged money laundering conduct post-dated the 2013 FinCEN guidance and might therefore state a viable offense.

DOJ appealed the dismissal order to the Seventh Circuit in late February 2025, but later withdrew its appeal and moved to dismiss both the criminal case and a related civil forfeiture case on April 23, 2025. Judge Magnus-Stinson granted that motion and dismissed the criminal and civil cases with prejudice the same day.

The move follows an April 7, 2025, memorandum issued by U.S. Deputy Attorney General Todd Blanche, which announced that DOJ 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." Among other things, the memorandum directed prosecutors not to charge "regulatory violations in cases involving digital assets," including "unlicensed money transmitting under 18 U.S.C. § 1960(b)(l)(A) and (B)… unless there is evidence that the defendant knew of the licensing or registration requirement at issue and violated such a requirement willfully."

[2] Pub. L. No. 116–283 § 6201(d), codified at 31 U.S.C. § 5330(d)(1)(A) (eff. Jan. 1, 2021).

Takeaways

Virtual currency businesses and other early adopters of emerging technologies have been subject to a certain degree of legal uncertainty for some time, as laws and regulations struggle to keep up with the pace of innovation. In this instance, the district court declined to apply regulatory guidance retroactively, and the DOJ abandoned its enforcement efforts.

Members of the digital assets community should continue to monitor developments in this space in light of the administration's approach to digital asset regulation and enforcement. However, even if the DOJ may be limiting the types of enforcement cases it will bring against digital asset firms, it may continue to prosecute cases that reflect the administration's priorities (e.g., fraud, money laundering, and sanctions violations). In addition, state enforcement activity is continuing to date and may increase.

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