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Bitcoin 2025: volatility and the rise of private litigation

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Bitcoin's 2025 price swings may not have been predicted, but they impacted market conduct in predictable ways. When asset prices decline, disputes over the allocation of losses often arise; conversely, during periods of rising asset prices, competition increases and the potential for risks associated with improper conduct also escalates. Add in a government's retreat from regulation and enforcement, and it becomes up to private litigation to fill the gaps to keep the market on course. Litigation risks, in turn, further define the market dynamics.

This is the story of Bitcoin in 2025.

The surge and the dip

Bitcoin's climb to $126,000 in October 2025 marked a defining moment for digital assets, setting a new all-time high before reminding investors how quickly momentum can reverse. The rise did not happen in isolation, but through a convergence of unique factors, including institutional electronic funds transfers (EFT) inflows, reduction in supply (through the latest "halving"), and macroeconomic conditions (*e.g.*, low interest rates), which made risk assets, such as cryptocurrency, more attractive.

By late November and into early December, Bitcoin had fallen back toward the mid-$80Ks. Such a decline may have appeared dramatic, but history shows it was far from unusual. *See* "Bitcoin down nearly 30% from record high — history shows that's normal," CNBC, Dec 4, 2025. In prior cycles, 2017 and 2021 among them, Bitcoin endured multiple 30–50% corrections before resuming advances, a pattern the current cycle echoes. *See* "Bitcoin down nearly 30% from record high — history shows that's normal," CNBC, 2025.

The swing reflected a broader deleveraging (investors paying down borrowed money and reducing risky positions) and cooling of flows. By early December, prices stabilized in the $92,500–$93,000 range. *See* "Crypto Market 2025 Year-End Review," Nasdaq, Dec. 5, 2025.

In the flow: ETFs shift from tailwind to headwind

A spot cryptocurrency ETF is an exchange-traded fund that directly holds the underlying digital asset, such as Bitcoin, at its current market price. It provides investors with regulated, stock-market access to real crypto exposure without the need to manage wallets or private keys.

ETFs helped fuel the rally earlier in the year, but when sentiment shifted, they also became a fast exit route. BlackRock's IBIT ETF alone saw about $2.7 billion in outflows over five weeks through late November, demonstrating how quickly ETF flows can reverse and pressure prices. *See* "BlackRock Bitcoin ETF Sheds $2.7 Billion in Record Outflows Run," Bloomberg, Dec 5, 2025.

Yields: a macro headwind reappears

By the Federal Reserve's December meeting, U.S. Treasury yields hovered near recent highs, with the 10-year around 4.17% and the 30-year near 4.82%, as investors awaited policy direction. *See* "US Treasury Yields Hit Multimonth Highs as Focus Shifts to Fed," Bloomberg, Dec 8, 2025.

As investors and insiders fill enforcement gaps left by regulators, companies must strengthen disclosures, tighten governance, and build dispute resolution frameworks that can withstand scrutiny from multiple angles.

When Treasury yields rise, non-yielding and momentum-sensitive assets like Bitcoin and related ETFs can become less attractive because investors can earn safer returns from bonds and other interest-bearing investments. This macro backdrop likely compounded ETF outflows and added to the overall price pressure.

Setting the standard: MiCA's transition

Regulation matured in 2025, most notably in the EU under MiCA (Markets in Crypto-Assets Regulation), the EU's first comprehensive framework for digital assets, designed to harmonize rules across member states and bring greater transparency, consumer protection, and market integrity to the sector. Although its phased implementation began in 2024, transitional measures extend the time to comply into 2026. *See* "ESMA Statement on MiCA Transitional Measures," ESMA, Dec 17, 2024.

This transition increases compliance costs in the short run, but it improves trust and market integrity over the longer term. By setting the standard for comprehensive crypto oversight, MiCA served as a catalyst for the GENIUS Act in the U.S., which is intended to govern payment stablecoins outside the Securities and Exchange Commission's jurisdiction. The hope is that harmonized rules should stabilize the crypto market and strengthen consumer protections.

The rise of private litigation in 2025

SEC enforcement has seemingly been significantly curtailed under the Trump Administration, with notable dismissals of actions against Binance, Coinbase, and Ripple, and with the agency bringing fewer new enforcement actions than it has historically filed.

As U.S. courts continue to fill regulatory gaps, crypto firms will operate in a more rules-based, but less forgiving, environment where compliance failures are quickly translated into lawsuits.

As investors and insiders fill enforcement gaps left by regulators, companies must strengthen disclosures, tighten governance, and build dispute-resolution frameworks that can withstand scrutiny from multiple angles. The cost of getting this wrong in 2025 was measured in significant settlement amounts and legal fees. Two trends to watch are investor class actions and marketing- and influencer-related misrepresentation.

Investor class actions

Marketing misstatements and influencer promotions became fertile ground for private fraud suits in 2025. Investors sued Unicoin for allegedly misrepresenting the nature of its Unicoin Rights Certificates, including claims that the tokens would be asset-backed, SEC-registered, and supported by billions of dollars in real estate, when, according to the complaint, the assets were worth only a fraction of what was publicly touted. The pleading also alleges inflated sales figures and misleading marketing materials disseminated through investor updates, social media, and paid promotions. An answer has yet been filed as it is due in February 2026.

The rise of influencer-driven token promotions added another layer of complexity, as companies faced liability not just for their own statements, but for claims made by third-party promoters. The takeaway is that every public statement and influencer partnership is potential evidence. Legal and compliance teams must vet marketing materials with the same rigor applied to securities filings, or risk that investors will.

Parallel actions

The Gemini litigation illustrates how the collapse of a financial product can quickly give rise to investor class actions alleging unregistered securities offerings and misrepresentation of risk. Investors claim that Gemini misrepresented the Earn program's safety, liquidity, and counterparty exposure, particularly its dependence on Genesis Global Capital, which later froze withdrawals and entered bankruptcy. Gemini has denied wrongdoing.

The case remains stayed in federal court after being referred to arbitration. Similarly, parties in the parallel SEC suit sought to stay all litigation deadlines indefinitely as they hope to reach a resolution.

Although the class action litigation began in 2022 during a period of heavier regulatory action, it remained active and increasingly influential during a year of reduced federal enforcement, illustrating how legacy disputes filed in earlier years continued to shape legal risk and market behavior in 2025. Even as new regulatory actions slowed, private suits like Gemini Earn continued to advance, albeit in arbitration, creating sustained pressure independent of political or regulatory shifts.

Looking ahead to 2026

2026 is set to be a year of consolidation and structural progress rather than explosive price action. The groundwork laid in 2025 should make the market more resilient, even if volatility remains part of the story. ETF flows will remain a double-edged sword. The same mechanisms that fueled the rally in 2025 can just as quickly accelerate selling when sentiment turns.

From a legal perspective, 2026 should mark a shift from regulatory uncertainty to litigation execution. As U.S. courts continue to fill regulatory gaps, crypto firms will operate in a more rules-based, but less forgiving, environment where compliance failures are quickly translated into lawsuits, injunctions, and market exclusion.

Private litigation risk in crypto is no longer a sideshow but rather a central feature of the legal landscape. In 2026, the companies that survive and thrive will be those that treat legal risk management as seriously as they treat technology development.

Joseph Cioffi is a regular contributing columnist on consumer and commercial financing for Reuters Legal News and Westlaw Today.

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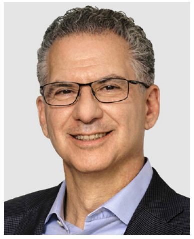

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