

Matrix of SEC & CFTC Crypto Enforcement Cases

(Updated by King & Spalding as of August 14, 2018)

Case Name & Date Filed	Agency	Synopsis
Shavers Bitcoin S&T July 23, 2013	SEC	<ul style="list-style-type: none"> • Trendon Shavers operated Bitcoin Savings & Trust, which offered 1% daily returns on deposits of Bitcoin claiming that returns were earned from lucrative in-person sales. Eventually Shavers shut down the website claiming that it had been hacked and that the Bitcoin were gone. • According to the complaint, Shavers was not earning real returns and instead resorted to paying withdrawal demands using funds from other investors. It further alleged that Shavers was offering investment contracts. • Under the Howey test, investment contracts extend beyond cases where investors provide traditional fiat currencies. The definition allows that that investors may provide anything of value – in this case it was Bitcoins.
Voorhees June 3, 2014	SEC	<ul style="list-style-type: none"> • Erik Voorhees sold shares for two entities, FeedZeBirds and SatoshiDICE, in exchange for Bitcoins. From the two offerings, Voorhees raised approximately \$15,000 and \$722,000, respectively. • These listings took place on two separate online exchanges, the Global Bitcoin Stock Exchange and the MPEX. • With respect to SatoshiDICE, Voorhees later repurchased the large majority of the shares for approximately \$3.8 million, a substantial loss. • Voorhees agreed to a settled order finding the unregistered sales of securities under 5(a) and 5(c).
BTC Trading December 8, 2014	SEC	<ul style="list-style-type: none"> • Ethan Burnside ran BTC Trading Corp., which operated two unregistered, online stock exchanges, LTC-Global Virtual Stock Exchange and BTC Virtual Stock Exchange. Burnside also offered unregistered shares for sale on the exchanges. • According to the settled order, Burnside worked cooperatively with SEC staff as soon as he was contacted – he was able to wind down both exchanges in an orderly fashion. • Burnside paid penalties, disgorgement, and prejudgment interest totaling approximately \$68,000.

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Coinflip Derivabit September 17, 2015	CFTC	<ul style="list-style-type: none"> • Coinflip created an online trading platform offering put and call options based on the price of Bitcoin, but failed to register the platform with the CFTC. • The CFTC alleged that Coinflip failed to register its derivatives trading platform and further offered derivative contracts that did not comply with the Commodities Exchange Act. • Coinflip agreed to cease its activities, but paid no fine under the agreed order.
TeraExchange September 24, 2015	CFTC	<ul style="list-style-type: none"> • TeraExchange agreed to a settled order finding that the company had prearranged a wash trade between two traders for a Bitcoin derivative contract. • TeraExchange did this so it could gain publicity as the first platform to successfully offer Bitcoin derivatives trading. • TeraExchange paid no fine in connection with the settled order.
Garza, Gaw Miners December 1, 2015	SEC	<ul style="list-style-type: none"> • Homero Garza ran GAW Miners LLC and ZenMiner LLC, which sold units of computing power that could be used to mine Bitcoin and other popular cryptocurrencies. • The SEC alleged that Garza and his companies made fraudulent statements and offered investment contracts. • Garza offered “hashlets” in return for investor funds. Each hashlet entitled the investor to a share of funds from the collective cryptocurrency mining power delivered by Garza’s sophisticated computer equipment. • According to the complaint, Garza did not have the equipment he claimed and could not deliver the mining power or the associated funds that he promised. • SEC further alleged that withdrawal requests were satisfied with funds from other investors as in a Ponzi scheme. • On June 2, 2017, the court entered an order against GAW Miners and ZenMiner, permanently enjoining them from future violations and ordering approximately \$10 million in disgorgement and civil penalties of \$1 million each. On July 20, 2017, Garza pled guilty in federal court in Connecticut.

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BFXNA June 2, 2016	CFTC	<ul style="list-style-type: none"> • BFXNA, Inc., d/b/a BitFinex operated an unregistered online cryptocurrency trading platform that mainly helped users trade Bitcoins. • Bitfinex allowed users to trade on a leveraged basis, and importantly for CFTC jurisdiction, did not deliver Bitcoins to its users – the Bitcoins were only accessible to users within Bitfinex’s platform. • Many users did not qualify as eligible contract participants or as eligible commercial entities. • According to the settled order, BitFinex violated section 4(a) and 4d(a)of the CFTA by offering commodities futures contracts without registering itself as an exchange. • BitFinex agreed to pay a \$75,000 civil money penalty.
Bitcoin Investment Trust July 11, 2016	SEC	<ul style="list-style-type: none"> • Bitcoin Investment Trust, capitalized entirely with Bitcoins, issued shares to be sold to accredited investors under Regulation D. • SEC alleged that defendant had violated Regulation M, which restricts manipulative conduct activities by parties with an interest in a securities offering. • Defendant agreed to pay disgorgement and prejudgment interest totaling \$53,756.
Sunshine Capital April 11, 2017	SEC	<ul style="list-style-type: none"> • The SEC suspended OTC trading in Sunshine Capitals shares based on questions about the accuracy of the company’s disclosures regarding its primary assets. • The company’s primary assets were cryptocurrency tokens called DIBCOINS.

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Haddow Bitcoin Store June 30, 2017	SEC	<ul style="list-style-type: none"> • Renwick Haddow allegedly ran defendants Bar Works, Inc. and Bitcoin Store, Inc. • According to the Complaint, Bar Works operated as an unregistered broker dealer selling unregistered securities for both Bar Works and the Bitcoin Store. • Bar Works purported to create shared work spaces in former bars. Bitcoin Store was a purported digital platform for the purchase and sale of Bitcoins. • Haddow allegedly raised more than \$37 million from investors based on fraudulent claims about the companies. • The US Attorney for SDNY filed simultaneous criminal charges against Haddow. • Both actions are ongoing.
DAO July 25, 2017	SEC	<ul style="list-style-type: none"> • Without bringing an enforcement action, the SEC issued a report stemming from an investigation, finding that tokens offered and sold by a virtual organization known as "The DAO" were securities subject to federal securities laws, and not eligible for certain exemptions from registration. • The report compared the tokens to "investment contracts," evaluated them under the Howey test, and emphasized that such analyses would look to the economic realities of a given transaction, rather than just to the form. • The report also found that the platforms trading DAO tokens improperly failed to either register as a national securities exchange or operate pursuant to an exemption from registration. • This is seen as the SEC's announcement that it considers ICO tokens to be securities.
Gelfman Blueprint September 21, 2017	CFTC	<ul style="list-style-type: none"> • CFTC alleged that defendants solicited investments in a pooled fund that would buy and sell Bitcoin under the direction of a trading program called "Jigsaw." • According to the complaint, investors were told to expect 7-9% returns per month. • In fact, customer withdrawal requests were satisfied using funds from other customers like a Ponzi scheme. • The matter is ongoing.

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REcoin, Maksim Zaslavskiy September 29, 2017	SEC	<ul style="list-style-type: none"> • Maksim Zaslavskiy and his two companies, REcoin and Diamond Reserve Club, allegedly raised approximately \$300,000 by selling unregistered tokens that did not actually exist. • Zaslavskiy allegedly claimed that the “tokenized” currency offered by REcoin was backed by real estate and that Diamond’s offering was backed by diamonds. • The SEC obtained an emergency order to freeze the defendants’ assets and charged them with violations of anti-fraud and registration provisions. • In October 2017, Zaslavskiy was also arrested and charged in a federal criminal complaint. • In November 2017, the SEC obtained an emergency court order to freeze the assets of Zaslavskiy and his companies. • Both matters are ongoing.
PlexCorps December 4, 2017	SEC	<ul style="list-style-type: none"> • PlexCorps and its principals, Dominic Lacroix (described as a “recidivist securities law violator”) and Sabrina Paradis-Royer, allegedly marketed and raised up to \$15 million by selling securities called “PlexCoin” on the internet, claiming that investments in PlexCoin would yield a 1,354 percent profit in less than 29 days. • The SEC obtained an emergency court order to freeze the assets of PlexCorps, Lacroix, and Paradis-Royer, which the SEC said also halted the ICO. • The SEC publicized this as the first case brought by the Enforcement Division’s new Cyber Unit. • This matter is ongoing.

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Munchee December 11, 2017	SEC	<ul style="list-style-type: none"> • Munchee sold digital tokens to raise about \$15 million to improve its mobile app for restaurant reviews and to recruit users to eventually buy ads, write reviews, sell food, and conduct other transactions using the tokens. • In connection with the ICO, Munchee described how the tokens would increase in value as a result of Munchee’s efforts and stated that the tokens would be traded on secondary markets. • The SEC staff contacted Munchee on the second day of their ICO. The company determined within hours to stop its offering, did not ultimately deliver any tokens, and returned the proceeds it had received. • In the settled OIP, Munchee was given credit for halting its ICO and was ordered only to cease and desist future violations of 33 Act Section 5(a) and (c).
The Crypto Company December 18, 2017	SEC	<ul style="list-style-type: none"> • The SEC suspending trading of the Crypto Company in December, because of concerns regarding the accuracy and adequacy of information in the market. • Specifically, the SEC voiced concern about the compensation paid to promote the company and potentially inaccurate disclosures related to insiders’ plans to sell their shares.
My Big Coin Pay Inc. January 16, 2018	CFTC	<ul style="list-style-type: none"> • CFTC alleged that defendants created and sold their own virtual currency called My Big Coin (“MBC”). • According to filings, defendants falsely claimed MBC was backed by gold so that customers would believe it was safe to purchase. • Defendants also allegedly claimed that MBC was trading on multiple exchange, which was not true. • CFTC brought suit under the anti-fraud provisions of the Commodities Exchange Act. The case is ongoing.

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Dean and Entrepreneurs Headquarters January 18, 2018	CFTC	<ul style="list-style-type: none"> • The CFTC alleged that the defendants used a website to solicit retail customers to invest in a binary options contract where payout would depend entirely on whether the value of bitcoin would reach a certain amount. • Because the defendants never actually traded on behalf of the purchasers, the sale was ultimately a Ponzi scheme. • On July 23, 2018, a judge in the EDNY entered a default judgment and ordered defendants to pay over \$1.9 million in civil monetary penalties and restitution.
McDonnell and CabbageTech (Coin Drop Markets) January 18, 2018	CFTC	<ul style="list-style-type: none"> • The CFTC alleged that the defendant induced customers to send money and virtual currencies in exchange for real-time virtual currency trading advice and for expert-guided virtual currency purchasing and trading on behalf of the customers for both Bitcoin and Litecoin. • Ultimately, however, the defendant never provided that real-time advice and removed the website purporting to offer the advice in order to conceal the scheme. • On March 6, 2018, a judge in the EDNY entered a Preliminary Injunction Order upon finding a reasonable likelihood that the defendants would continue violating the Commodity Exchange Act. The order prohibited future CEA violations, and required defendants to preserve books and records and to provide expedited discovery.
AriseBank January 25, 2018	SEC	<ul style="list-style-type: none"> • The SEC suspended Arisebank's ICO in early February 2018, saying the company operated a scam under the guise of being a "decentralized bank" that would allow investors to buy its cryptocurrency to use to purchase a variety of products and services. • The SEC alleged that Arisebank falsely stated that it purchased an FDIC-insured bank to allow customers insured accounts, and also did not disclose the criminal background of key executives.
Cherubim Interests February 15, 2018	SEC	<ul style="list-style-type: none"> • Issuer Cherubim Investments touted the AAA rating of crypto and blockchain-related assets. • In addition, it had committed finances to launch an ICO—allegedly in an attempt to bolster its stock price. • It had also failed to file annual and quarterly reports. • The SEC suspended trading of this issuer.

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PDX Partners February 15, 2018	SEC	<ul style="list-style-type: none"> • Issuer PDX Partners touted the AAA rating of crypto and blockchain-related assets. • The SEC accused it of issuing inaccurate statements about the nature of its business operations. • The SEC suspended trading of this issuer.
Victura Construction Group February 15, 2018	SEC	<ul style="list-style-type: none"> • Issuer Victura Construction Group touted the AAA rating of crypto and blockchain-related assets. • The SEC accused it of issuing inaccurate statements about the nature of its business operations. • The SEC suspended trading of this issuer.
Montroll and BitFunder February 21, 2018	SEC	<ul style="list-style-type: none"> • BitFunder and its founder Jon E. Montroll allegedly operated BitFunder as an unregistered online securities exchange and defrauded exchange users by misappropriating their bitcoins and failing to disclose a cyberattack. • The SEC also charged Montroll with selling unregistered securities (called Ukyo.Loan) that purported to be investments in the exchange and misappropriating funds from that investment. • Montroll shut down BitFunder in November 2013. • Montroll and Bitfunder were charged with violating 34 Act Section 10(b) and Rule 10b-5, as well as 33 Act Sections 5, 5(a), 5(c), and 17(a). • Montroll was also arrested on February 21, 2018, and charged with perjury and obstruction of justice during the SEC's investigation. • This is the first case where the SEC charged a virtual currency exchange with failure to register, and also reflects the risks of lying to, and obstructing, government attorneys during investigations. • This case is ongoing.
Sohrab "Sam" Sharma and Robert Farkas April 2, 2018	SEC	<ul style="list-style-type: none"> • Sharma and Farkas, co-founders of Centra Tech. Inc., allegedly offered and sold unregistered investments through a "CTR Token," raising more than \$32 million from July 30, 2017 to October 5, 2017.

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		<ul style="list-style-type: none"> • Sharma and Farkas allegedly claimed that funds raised in the ICO would help to build a suite of financial products. • For example, they allegedly offered debit cards backed by Visa and Mastercard that would allow users to convert cryptocurrencies into legal tender. • Sharma and Farkas also allegedly created fictional executives with impressive credentials, posted misleading marketing materials on Centra’s website, and paid celebrities to promote the ICO on Social Media. • The SEC charged Sharma and Farkas with violating anti-fraud and registration provisions of the Securities and Exchange Acts. • The SEC amended its complaint on April 20, 2018 to include a third individual, Raymond Trapani, who it alleged was a “mastermind” of the scheme. • On June 12, 2018, the case was stayed pending completion of the criminal proceedings against the conclusion of the criminal proceedings against the three individuals (which is ongoing).
<p>Longfin Corp. April 4, 2018</p>	SEC	<ul style="list-style-type: none"> • Longfin’s CEO and controlling shareholder allegedly caused the company to issue more than two million unregistered, restricted shares to its corporate secretary and director, Andy Altahawi. • According to the SEC’s complaint, shortly after Longfin began trading on NASDAQ and announced its acquisition of a purported cryptocurrency business, Longfin’ affiliates illegally sold large blocks of restricted shares to the public while Longfin’s stock price was highly elevated, resulting in over \$27 million in profits. • The SEC charged Longfin’ and its executives and involved affiliates with violating Section 5, and sought to freeze all proceeds from the allegedly illegal distributions and sales of these restricted shares. • On May 1, 2018, the SDNY granted a preliminary injunction freezing dissipation of assets pending final disposition of the case. This matter is ongoing.

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<p>Blue Bit Banc, Blake Kantor (aka Bill Gordon) and Nathaniel Mullis</p> <p>April 18, 2018</p>	CFTC	<ul style="list-style-type: none"> • Complaint alleges that the defendant individuals and corporations operated a fraudulent scheme that involved binary options and a virtual currency called ATM Coin. • The enterprises failed to register as Futures Commission Merchants with the CFTC, and fraudulently solicited customers to enter into illegal, off-exchange binary options transactions while falsely claiming they would yield significant profits. • An EDNY judge entered an order ordering that defendants' assets be frozen, preventing destruction of evidence, and granting the CFTC immediate access. • The USAO for the EDNY filed a parallel criminal action, premised on the same facts, against Kantor for fraud, United States v. Blake Kantor aka Bill Gordon, Case No. 18 CR 177 (E.D.N.Y.).
<p>IBITX Software Inc.</p> <p>April 20, 2018</p>	SEC	<ul style="list-style-type: none"> • The SEC temporarily suspended trading of IBITX Securities Inc. ("IBXS") shares due to questions related to the accuracy of assertions by IBXS. • Specifically, the SEC had concerns about the company's statements regarding its development of alternative forms of currency and its operation of a cryptocurrency platform.
<p>Titanium Blockchain Infrastructure Services and Michael Stollaire</p> <p>May 22, 2018</p>	SEC	<ul style="list-style-type: none"> • Titanium and its President, Stollaire, allegedly promoted Titanium's ICO through a "create and inflate" scheme in which Stollaire lied about his corporate relationship, used false testimonials to establish a presence and apparent expertise, and offered investors incentives to invest in his new digital asset to create demand. • Stollaire used a "social media marketing blitz" to allegedly deceive investors with what the SEC called purely fictional claims of business prospects. • The SEC filed a complaint on May 22, 2018 charging Stollaire and Titanium with violating antifraud and registration provisions of the Securities and Exchange Acts. The SEC charged another Stollaire company, EHI Internetwork and Systems Management Inc. with violating antifraud provisions. • On May 29, 2018 the defendants consented to an order freezing their assets and prohibiting destruction of documents. This matter is ongoing.

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Tomahawk Exploration LLC and David Thompson Laurance August 14, 2018	SEC	<ul style="list-style-type: none">• In connection with tokens called “Tomahawkcoins,” Laurance and Tomahawk allegedly distributed promotional materials using inflated projections of oil production and falsely stated that Laurance has a “flawless background” when he actually has a prior criminal conviction relating to securities offerings.• Tomahawk’s attempted ICO of the tokens failed to raise money, but the company separately issued tokens through a “Bounty Program” in exchange for marketing efforts.• In a settled administrative order, the SEC charged Tomahawk and Laurance with violations of Securities Act Sections 5(a) and 5(c), as well as Exchange Act Section 10(b) and related Rule 10b-5. Both agreed to a cease and desist order. Laurence also received an officer and director bar, penny stock bar, and \$30,000 civil penalty.