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Wyoming Secretary of State Joins Fellow State Securities Regulators and the US Securities and Exchange Commission to Settle with Digital Asset Lending Platform BlockFi for Sales of Unregistered Securities

Cheyenne, WY – As Wyoming's State Securities Commissioner, Wyoming Secretary of State Ed Buchanan announced today that a digital-asset financial services company, BlockFi Lending LLC (BlockFi), agreed to enter into a consent order with the Wyoming Secretary of State's office to settle offers and sales of unregistered securities in the form of interest-bearing digital asset deposit accounts called BlockFi Interest Accounts (BIAs) to Wyoming residents. As of December 31, 2021, BlockFi had 407,030 BIA investors in the US, of which 759 were Wyoming residents.

BlockFi agreed to pay \$50 million to the 53 North American Securities Administrators Association (NASAA) member agencies and \$50 million to the SEC to settle its offers and sales of unregistered securities. The 53 NASAA member agencies will share equally in their half of the settlement. BlockFi will pay the Wyoming Secretary of State \$943,396.22 to remedy its past unregistered offer and sale of securities to Wyoming residents. All penalty fines are deposited in the Public School Fund per the Wyoming Constitution.

Beginning January 2021, a NASAA multistate working group contacted BlockFi and provided notice that the company may have offered and sold securities not in compliance with state securities laws. In July and September 2021, Alabama, Kentucky, New Jersey, Texas, Vermont, and Washington filed actions against BlockFi concerning its offer and sale of unregistered securities. As alleged in the state securities actions, BlockFi promoted its BIAs with promises of high returns for investors who purchased the lending products. It took control of and pooled its investors' loaned digital assets, and exercised sole discretion over the pooled digital assets, including how to use the digital assets to generate a return and pay investors their promised interest. According to the filed state actions, BlockFi failed to comply with state registration requirements and, as a result, investors were sold unregistered securities in violation of state law and deprived of critical information and disclosure necessary to understand the potential risks of these products.



BlockFi's agreement to enter into a settlement with the Wyoming Secretary of State comes amidst rising concerns over the proliferation of "decentralized" and digital asset-based financial products and services targeting retail investors. Many of these products and services are analogous to traditional financial services offered by banks and brokerages, but without any of the regulatory safeguards provided by registered firms and products. For example, registered firms must truthfully disclose all known material facts and explain the risks associated with their investments, while the Federal Deposit Insurance Corporation, National Credit Union Administration, and the Securities Investor Protection Corporation insure depositors and investors against certain kinds of losses. Financial service firms operating in innovative financial technology markets may not be complying with important laws that protect retail clients, and investors may not have access to the information necessary to conduct due diligence and make fully informed decisions.

"State securities regulators recognize the value new technology brings to financial markets. Complying with existing laws and regulations promotes competitive capital markets and continued investor protection," said Secretary of State Ed Buchanan. "This action by NASAA member agencies and the SEC sets an example for other firms providing digital asset financial products and services of how to work toward compliance with state and federal law."

The Secretary of State would like to thank its fellow NASAA member agencies, especially the multistate working group, for its coordinated efforts and the SEC for their collaboration and assistance. The Compliance Division can be contacted at 307.777.7370 or investing@wyo.gov.

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