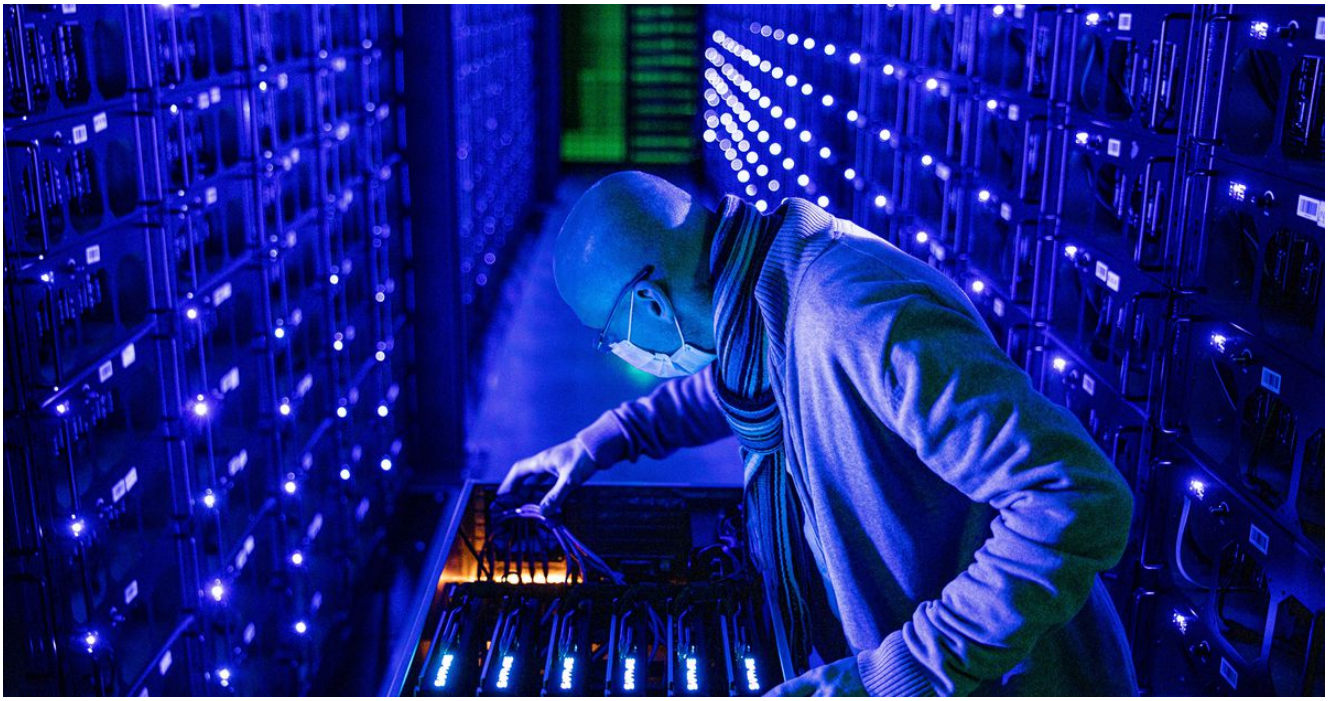
SEC charges crypto exchange execs for the first time over unregistered token sales



The Securities and Exchange Commission issued its first charges against the decentralized finance industry Friday, accusing two people of illegally selling over $30 million of securities in unregistered offerings.

The SEC's Friday order found that two executives from the Blockchain Credit Partners company used the Ethereum blockchain to sell cryptocurrencies to investors while misleading them about the company's profitability. Specifically, investors purchased cryptocurrencies using digital assets like ether. The company then promised to pay investors over 6 percent in interest and that the funds would go toward physical investments like car loans to create additional income. The SEC determined that these "real-world" investments wouldn't generate the income advertised.

"Full and honest disclosure remains the cornerstone of our securities laws"

“Full and honest disclosure remains the cornerstone of our securities laws — no matter what technologies are used to offer and sell those securities,” Gurbir S. Grewal, SEC Enforcement Division director, said in a statement Friday. “This allows investors to make informed decisions and prevents issuers from misleading the public about business operations.”

Friday’s charges against the company come as the federal government is preparing to issue new regulations for the decentralized finance and cryptocurrency markets. Earlier this week, SEC Chair Gary Gensler called on Congress to grant the agency more authority in regulating cryptocurrency, lending, and platforms.

“If we don’t address these issues, I worry a lot of people will be hurt,” Gensler said on Tuesday.

Congress has so far failed to give the SEC more authority in the cryptocurrency market, opting this week to include language in the bipartisan infrastructure package focusing on taxation of digital assets. On Sunday, Senate negotiators reached a $1 trillion infrastructure deal, including language that would require cryptocurrency brokers to report transactions on their tax returns. But the definition of “broker” was vague and could potentially open miners up to greater taxation.

It’s unclear how cryptocurrency will fare under the new infrastructure bill. There are dual amendments in the Senate looking to clarify the language. An amendment authored by Sens. Ron Wyden (D-OR), Cynthia Lummis (R-WY), and Pat Toomey (R-PA) would exempt miners. Another amendment from Sen. Mark Warner (D-VA) has gained more popularity amongst lawmakers, but cryptocurrency advocates fear it would hurt the industry by creating uneven reporting requirements.

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