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The Securities and Exchange Commission (SEC) has filed a complaint against Coinbase, Inc. and Coinbase Global, Inc. (collectively, "Defendants") for operating as an unregistered broker, exchange, and clearing agency. By collapsing these functions into a single platform and failing to register with the SEC, Coinbase has been evading the disclosure requirements established by Congress and the SEC to protect national securities markets and investors.

In particular, Coinbase has been operating as an unregistered broker through its Coinbase Platform, Coinbase Prime, and Coinbase Wallet. Through these services, Coinbase has been soliciting potential investors, handling customer funds and assets, charging transaction-based fees, providing a marketplace for buyers and sellers of crypto assets, and holding customer assets in Coinbase-controlled wallets.
This lawsuit summary is about Coinbase and its parent company CGI, who are accused of violating the Exchange Act and Securities Act by failing to register as an exchange, broker, or clearing agency, and by offering and selling securities without registering their offers and sales. Coinbase is alleged to have made calculated business decisions to make crypto assets available for trading in order to increase its own revenues, even when those assets had the characteristics of securities. Additionally, Coinbase is accused of offering and selling a crypto asset staking program without registering its offers and sales. The lawsuit seeks to permanently restrain and enjoin Coinbase and CGI from engaging in such acts.
The Commission is bringing a lawsuit against Coinbase and CGI for violating Sections 5, 15(a), and 17A(b) of the Exchange Act and Sections 5(a) and 5(c) of the Securities Act. The Commission is seeking a final judgment to permanently enjoin the Defendants from violating the aforementioned laws, to order the disgorgement of ill-gotten gains and to pay prejudgment interest, to impose civil money penalties, and to grant any equitable relief that may be necessary for the benefit of investors. This Court has jurisdiction over this action pursuant to 28 U.S.C. Â§ 1331, Sections 20(b), 20(d), and 22 of the Securities Act, and Sections 21(d), 21(e), and 27 of the Exchange Act. Venue is proper in the Southern District of New York because Coinbase conducts its business operations there, including providing brokerage, trading, and other services to investors located in the district. Coinbase and CGI are
The Securities Act and the Exchange Act both require registration and disclosure of certain securities transactions. The Securities Act requires registration of offers and sales of securities with the SEC, providing public investors with material, sufficient, and accurate information to make informed investment decisions. The Exchange Act requires registration and disclosure of certain participants in the national securities markets, such as broker-dealers, exchanges, and clearing agencies. This oversight is necessary to protect investors and ensure the proper functioning of the national securities markets and economy. The Exchange Act also provides for the prompt and accurate clearance and settlement of securities transactions.
The SEC has rules and regulations in place to protect investors and the public interest in the national securities markets. These rules require organizations, associations, or groups of persons that meet the definition of an "exchange" under Section 3(a)(1) of the Exchange Act to register with the Commission as a national securities exchange, and for brokers and dealers to register with the SEC and become members of one or more self-regulatory organizations. These

rules and regulations are critical to the soundness of the national securities markets and to protecting investors in the public markets who interact with broker-dealers.

The Exchange Act requires the registration of exchanges, broker-dealers, and clearing agencies in order to maintain fair and orderly markets, avoid conflicts of interests, and protect investors. These entities must also enact a set of rules to govern their and their members' behavior, which are subject to review by the SEC. Registration and concomitant disclosure obligations allow the SEC to oversee the business of intermediaries and their relationship with investors, in order to, among other things, protect investors from manipulation, fraud, and other abuses. Furthermore, registered intermediaries are subject to important record keeping and inspection requirements. The Exchange Act requires registered national securities exchanges, broker-dealers, and clearing agencies to keep records and be subject to examinations by the SEC in order to protect investors and promote fair and efficient operation of the securities markets. Crypto assets, also known as cryptocurrencies, virtual currencies, and digital coins, are assets issued and/or transferred using blockchain or distributed ledger technology. Crypto asset owners typically store the software providing them control over their crypto assets on a piece of hardware or software called a crypto wallet. Blockchains typically employ a consensus mechanism that aims to achieve agreement among users as to a data value or as to the state of the ledger. Two common consensus mechanisms are proof of work and proof of stake.

Crypto assets are offered and sold in capital-raising events, such as Initial Coin Offerings (ICOs) or token sales. Crypto asset trading platforms, like the Coinbase Platform, are marketplaces that offer a variety of services related to crypto assets, such as brokerage, trading, and settlement services. These platforms allow customers to purchase and sell crypto assets for fiat currency or other crypto assets. Crypto asset trading platforms possess and control the crypto assets deposited and/or traded by their customers and thus function as a central depository. By contrast, registered national securities exchanges typically do not assume possession or control of the assets being traded.

Coinbase is an expansive online trading platform that allows customers to buy, sell, and trade hundreds of crypto assets. It offers services to customers in the US and abroad, including Prime and Wallet. Prime routes orders to the Coinbase Platform and to third-party platforms, providing customers with access to the broader crypto marketplace. Wallet routes customer orders through third-party decentralized trading platforms, allowing customers to self-custody their crypto assets. Coinbase also facilitates secondary market transactions through crypto asset trading and allows issuers to offer crypto assets for sale for the first time. The SEC issued the DAO Report in July 2017, advising those using distributed ledger or blockchain-enabled means for capital raising to comply with the US federal securities laws and stressing the obligation to comply with the registration provisions of the federal securities laws.

Coinbase is a technology and financial infrastructure company that offers a platform for customers to discover, transact, and engage with crypto assets and decentralized applications. It offers services through its website and mobile application, and claims to service over 108 million customers with billions of dollars in daily trading volume. Coinbase generates most of its revenue from transaction fees collected on crypto asset trades made through its platforms, and its parent company, CGI, includes Coinbase's funds, crypto assets, total revenue, technology and development expenses, and sales and marketing expenses in its consolidated balance sheets and statements of operations. Coinbase and CGI share the same board of directors and executive officers, and operate through the same website and disseminate public information through the same channels.

Summary:

Coinbase is a technology and financial infrastructure company that offers a platform for customers to engage with crypto assets and decentralized applications. It services over 108 million customers and generates revenue from transaction fees collected on crypto asset trades. Coinbase and its parent company, CGI,

Coinbase provides exchange, brokerage, and clearing agency services to U.S. customers through its Coinbase Platform, Prime, and Wallet services. Coinbase advertises its services on its website and social media, and facilitates trading in crypto assets by assisting customers in opening and using trading accounts, handling customer funds and crypto assets, and routing and handling customer orders. Coinbase also has a Digital Asset Support Committee that reviews assets escalated to it in connection with a listing on its trading platform, and a Code of Business Conduct & Ethics that governs Coinbase and CGI.

Coinbase provides a variety of services to attract and retain customers, such as offering incentives, promotions, and tutorials for new and experienced investors. It also offers a "Learning Rewards" program that allows customers to earn crypto assets in exchange for engaging with content. Coinbase also provides brokerage services through its "Prime" platform, which aggregates prices from the Coinbase Platform and third-party trading venues, and provides analytics and agency trading desk services. Finally, Coinbase boasts about its "Coinbase Wallet" which allows users to easily access tokens and find the lowest fees.

Coinbase requires customers to create an account and transfer their crypto assets or fiat currency to Coinbase. Coinbase holds and controls customers' funds and crypto assets in digital wallets, and uses shared blockchain addresses to store them. The Coinbase user agreement states that customers' crypto assets are held by Coinbase for their benefit. Coinbase also provides a platform for customers to buy, sell, and trade crypto assets. Coinbase acts as an agent to facilitate the purchase and sale of crypto assets between customers.

The Coinbase Platform allows customers to trade in approximately 260 crypto assets. Customers can view the current price of each asset, its market cap, traded volume, and circulating supply. Through the Coinbase Platform, customers can place various types of buy and sell orders, including market, limit, and stop limit orders. These orders appear on Coinbase's order book and can be executed immediately (taker orders) or at a different price (maker orders).

Coinbase operates an electronic automated matching engine on the Coinbase Platform for trading crypto assets. The matching engine matches orders based on a price-time priority rule, where orders are matched first based on the best price for the order, and if there are multiple orders at the same price, the order with the earlier time will be matched against the corresponding opposite order first. After the matching engine matches orders between customers trading on the Coinbase Platform, Coinbase settles the transaction immediately by making corresponding debits and credits in each customer's account on the internal ledgers it maintains to track customers' balances in crypto assets and fiat currency. Coinbase also charges fees for trades executed through the Coinbase Platform, Prime, and Wallet. Throughout the Relevant Period, Coinbase has made available for trading crypto assets.

Coinbase recognized that certain crypto assets could be offered and sold as securities under the federal securities laws and acknowledged the implications for Coinbase if it made such securities available for trading to the investing public. In December 2016, Coinbase released a document entitled “A Securities Law Framework for Blockchain Tokens” which included a section on “How to determine if a token is a security” and explained the US Supreme Court case of SEC v Howey.

In September 2018, Coinbase released the “Coinbase Crypto Asset Framework” which included a listing application form for crypto asset issuers and promoters seeking to make their crypto assets available on the Coinbase Platform. The application asked for information relevant to a Howey analysis of the crypto asset, such as the project team and its involvement, any token sale, allocation of tokens, statements made about the token/network, and any efforts to affect the token supply.

In September 2019, Coinbase and other crypto asset businesses founded the
Coinbase's Business Model:

Coinbase adopted the CRC framework to assess certain crypto assets in determining whether to make them available for trading on the Coinbase Platform. Between late 2019 and the end of 2020, Coinbase more than doubled the number of crypto assets available for trading on the Coinbase Platform, and it more than doubled that number again in 2021. Coinbase worked closely with issuers of crypto assets who sought to have their crypto assets listed on the Coinbase Platform. Coinbase identified “problematic statements” by an issuer that described its crypto asset “with language traditionally associated with securities,” “impl[ying] that the asset is an investment or way to earn profit,” and “emphasizing the profitability of a project and/or the historic or potential appreciation of the value of [the] asset[s].”

Coinbase's Risk:

Coinbase was aware of the risk that it could be making available for trading on the
The SEC has taken the position that certain crypto assets fall within the definition of a "security" under the U.S. federal securities laws. Coinbase has made available for trading crypto assets that are being offered and sold as investment contracts and thus as securities, including but not limited to the Crypto Asset Securities. These assets are interchangeable, meaning that any unit of a particular crypto asset on the Coinbase Platform trades at the same price as another unit of that same asset. Persons that effect transactions in crypto assets that are securities in the United States may be subject to registration with the SEC as a "broker" or "dealer", and platforms that bring together purchasers and sellers to trade crypto assets that are securities may be subject to registration as national securities exchanges.
The Coinbase Platform allows customers to purchase crypto assets, including the Crypto Asset Securities, without restriction. These assets are available for sale to any person who creates an account with Coinbase, and Coinbase provides additional information about each asset on their website. This information includes the persons who "developed," "launched," or "created" the crypto asset, links to any "whitepaper" for the asset's original or ongoing sales, links to the

"website" associated with the asset and its developers or creators, a compendium of public statements about the asset, historical information about the asset's price, and instructions on how to buy the asset on the Coinbase Platform. Furthermore, Coinbase does not restrict how many units of a crypto asset any given investor may purchase, and these assets are transferable and immediately eligible for resale.
The SEC's Exchange Act claims allege that Coinbase has been making available for trading on the Coinbase Platform, and through Prime and Wallet, crypto assets that have been the subject of prior SEC enforcement actions based upon their status as crypto asset securities. These assets include AMP, DDX, LCX, OMG, POWR, RLY and XYO.

The SEC contends that these crypto asset securities are investment contracts and thus securities, as investors reasonably expect profits based on the managerial or entrepreneurial efforts of the issuers and promoters.

The SEC has provided a non-exhaustive list of 13 crypto asset securities, 12 available on the Coinbase Platform and one available only via Wallet (NEXO).

One example of a crypto asset security is SOL, the native token of the Solana blockchain. SOL can be "staked" on the Solana blockchain to earn rewards, and a certain amount of SOL must be "burned" to propose a transaction
Solana Labs raised $23 million in March 2020, $1.76 million in August 2020, and $314 million in August 2021.

Solana Labs made SOL available for trading on crypto asset trading platforms starting February 2020. SOL is also available for buying, selling, and trading on the Coinbase Platform since June 2021.

Solana Labs stated publicly that it would use the proceeds from its sales to fund the development, operations, and marketing efforts with respect to the Solana blockchain.

12.5% of the 500 million SOL tokens were allocated to Solana Labs' founders and another 12.5% were allocated to the Solana Foundation.

Gokal currently serves as a member of the Solana Foundation Council and Yakovenko was a member and President of the Solana Foundation Council until December 2021.
Solana Labs Promotional Efforts

Solana Labs undertook promotional efforts to increase participation in its network and thus demand for SOL, including a podcast, YouTube channel, and dedicated Telegram, Twitter, Reddit, Solana Forums, Discord, GitHub, Meetup, and Weibo channels. These promotional statements included touting the Solana network's ability to support a large number of transactions, being energy efficient and lightning fast, and having a core engineering team focused on scalability and efficiency.

Burning of SOL Tokens

Solana Labs also markets that it "burns" (or destroys) SOL tokens as part of a "deflationary model." This burning of SOL has led investors to view their purchase of SOL as having the potential for profit to the extent there is a built-in mechanism to decrease the supply and therefore increase the price of SOL.
The Cardano blockchain was created in 2015 by Charles Hoskinson and Jeremy Wood. The native token of the Cardano blockchain, ADA, was limited to a supply of 45 billion. Input Output Hong Kong (IOHK) conducted a token sale from 2015-2017, during which they sold 25.9 billion ADA in exchange for bitcoin, raising approximately $62 million for Cardano.

Three entities are responsible for Cardano: the Cardano Foundation, IOHK, and Emurgo. The entities collectively received 5.2 billion ADA following the initial mining of ADA, and have used the proceeds from ADA sales to fund the development, marketing, business operations, and growth of the Cardano protocol.

ADA has been available for buying, selling, and trading on the Coinbase Platform since March 2021. Cardano, IOHK, and Emurgo have publicly disseminated information leading ADA holders to view ADA as an investment and expect to profit from their efforts to
The Polygon (formerly Matic Network) blockchain platform was created in 2017 in Mumbai, India and is used to build scalable user-friendly dApps with low transaction fees. Polygon issued 10 billion MATIC tokens, which holders can earn additional MATIC for staking on the platform, delegating to validators, or staking with third parties. MATIC holders expect to profit from Polygon's efforts to grow the Polygon protocol.

Polygon has raised funds through private and public sales of MATIC tokens, including an IEO on Binance.com and a private sale of MATIC tokens raising $450 million. Polygon has also reported fundraising from other marquee and celebrity investors. Additionally, Polygon has reserved 67% of MATIC to support the Polygon ecosystem, the Foundation, and network operations, and 20% of MATIC was reserved to compensate the Polygon team members and advisors.
The Polygon platform provides frequent updates on network growth and developments, including financial metrics such as revenue per day. Polygon has encouraged MATIC purchasers to view it as an investment and has promoted it through various social media. The Filecoin network is an open-source data storage network created by Protocol Labs. In 2017, Protocol Labs conducted a two-part token sale: an Advisor Sale and a Public Sale.
Protocol Labs conducted the 2017 Filecoin (FIL) Sales to fund the development and growth of the Filecoin network. Investors paid $.075 per FIL and were offered vesting/discount choices of 1-3 years and 0-30% discount. The FIL price was set based on a public sale price function and increased thereafter based on the amount sold. Protocol Labs reported that they raised more than $205 million for the development of Filecoin.

In October 2020, Protocol Labs launched the mainnet of the Filecoin network and FIL began being minted and distributed. FIL has been available for buying, selling, and trading on the

Coinbase Platform since December 2020. Protocol Labs has continued to use funds from the sale of FIL to develop, expand, and promote the Filecoin network.

Protocol Labs publicly disseminated information which led FIL holders to view FIL as an investment and to expect to profit from Protocol Lab's efforts to grow the protocol.
The Filecoin Token Sale Economics document outlined how the funds raised from the sale would be allocated: 70% to the miners, 15% to Protocol Labs for research, engineering, deployment, business development, marketing, distribution, and more, 10% to investors for funding network development, business development, partnerships, support, and more, and 5% to a Filecoin Foundation for long-term network governance, partner support, academic grants, public works, community building, etc.

The documents also stated that Filecoin purchasers would be able to sell the token on crypto asset trading platforms in the future, and that the growth of the network would drive demand for the token, creating value. Protocol Labs also touted their expertise and ability to develop the Filecoin network for launch, and Benet stated that they planned to deploy hundreds of millions of dollars to make Filecoin the world's best storage network.
The Filecoin network was created to be a competitive service and ecosystem to centralized counterparts. The economic structure of FIL distribution and public statements about it were meant to invite investors to view FIL as an investment in Protocol Labs and the Filecoin Foundation. To further incentivize investors, the tokens allocated to Protocol Labs and Filecoin Foundation were to vest over a six-year period beginning after the network launch. Filecoin has also implemented a process to burn FIL tokens, reducing the overall supply. Protocol Labs has continued to be heavily involved in the development and promotion of the Filecoin network, including introducing the Filecoin Virtual Machine and releasing roadmaps and master plans.

SAND was created on the Ethereum blockchain as the native token of the Sandbox platform, a virtual gaming platform first released in 2012 by Pixowl, Inc. Pixowl was founded in 2011 and was later acquired by Animoca Brands, Inc. in 2018.
The Sandbox, a platform leveraging blockchain technology, was acquired by Pixowl and its assets, including its intellectual property, were transferred to TSB Gaming Ltd ("TSB"), a subsidiary of Animoca. Animoca raised approximately $2.5 million in cash and crypto assets, through TSB, to fund the development of the blockchain version of The Sandbox, and minted a total supply of 3 billion SAND tokens on the Ethereum blockchain. SAND tokens have been available for buying, selling, and trading on the Coinbase Platform since May 2022.

TSB publicly disseminated information that led SAND holders to view SAND as an investment and expect to profit from TSB's efforts to grow the Sandbox protocol. Sandbox also touted its efforts to obtain "listings" and the SAND token's liquidity in the secondary market. TSB stated publicly that it would take steps to manage the market for SAND, including purchasing Animoca Brands has acquired Pixowl, a game developer, and has touted the backgrounds of Pixowl, TSB, and the Sandbox core members, including Madrid and Borget, to describe the success and future development of the Sandbox. Animoca Brands has also stated that the blockchain version of the Sandbox has incredible potential.

The Sandbox Foundation's role is to support the ecosystem of the Sandbox by offering grants to incentivize high quality content and game production on the platform.

Axie Infinity Shards (AXS) are Ethereum tokens native to the Axie Infinity (Axie) game. Players of the Axie game can earn AXS for successfully playing the game and can use AXS to make in-game purchases. In 2020, Sky Mavis, the creators of Axie, raised $864,000 in a purportedly private sale of AXS tokens to strategic investors and conducted a public sale of AXS, resulting in the distribution of
AXS:

- AXS has been available for buying, selling, and trading on the Coinbase Platform since August 2021.
- Sky Mavis publicly disseminated information that led AXS holders to view AXS as an investment and expect to profit from Sky Mavis's efforts to grow the Axie protocol.
- Funds raised in the AXS 2020 offerings were used to develop and improve the Axie platform.
- 21 percent of the total AXS tokens were issued to individuals to incentivize the Sky Mavis team to keep building after a successful token sale, and these tokens will be gradually unlocked over a 4.5 year period.
- The Sky Mavis team will use its experience and efforts to develop and grow the Axie game.
- Several features of the platform have been implemented since 2020 and others are still in the development phase today.

CHZ:

- CHZ is a token on the Ethereum blockchain,

The Chiliz team has created a platform, Socios.com, that makes Fan Tokens available for purchase with CHZ. CHZ has been available for buying, selling, and trading on the Coinbase Platform since June 2021. The Chiliz team has disseminated information and made statements that have led CHZ holders reasonably to view CHZ as an investment and to expect profits from the team's efforts.

The Chiliz team is comprised of nearly 350+ professionals across 27 nationalities and is constantly growing. The Chiliz team operates both the Chiliz protocol and Socios.com. The Chiliz website touts that the Chiliz team is "building the web3 infrastructure for sports and entertainment."

The Chiliz team has stated publicly that it would use the proceeds from CHZ sales to fund the development, marketing, business operations, and growth of the Chiliz protocol and, consequently, to increase the demand for CHZ
The Chiliz team, led by its CEO, developed a blockchain platform called Chiliz and its native token CHZ. The platform was designed to enable the purchase of “Fan Tokens” on Socios.com and the demand for and price of CHZ tokens is reliant on the demand for and benefits of the Fan Tokens. The Chiliz team made public statements emphasizing the economic reality of the

blockchain's reliance on CHZ. They also made efforts to drive secondary trading of CHZ and announced plans to engage in “burning” (or destroying) CHZ tokens as a mechanism to support the price of CHZ.

Dapper Labs raised approximately $24.6 million in “pre-launch” funding to develop and launch Flow, a purportedly developer-friendly blockchain called Flow. Flow was designed to be faster and more efficient than other blockchains due to its “multi-node architecture” which separates the functions traditionally performed by one
In the summer of 2020, Dapper Labs raised approximately $35 million from investors, including Coinbase Ventures, in exchange for convertible notes that were expected to convert to FLOW tokens with a 24-month lock-up period. Dapper Labs also conducted other sales of FLOW for which it filed forms with the SEC claiming exemption from registration. Since May 2022, FLOW has been available for buying, selling, and trading on the Coinbase Platform. FLOW is the exclusive token for staking, delegating, paying transaction fees, and paying storage fees. Approximately 1.25 billion FLOW tokens were initially created, and as of May 2023, approximately 72% of all FLOW is in circulation.

The Demand for FLOW:

The demand for and the value of the FLOW token would increase as a result of Dapper Labs' and the Flow development team's efforts to develop the Flow blockchain network and increase demand for its features and, thus,
DFINITY Foundation created the Internet Computer Protocol in 2016, a blockchain-based protocol that is a decentralized alternative to the current centralized internet cloud providers. To fund the development of the protocol, DFINITY raised the equivalent of approximately $170 million through three funding rounds between 2017 and 2018, selling rights to receive future ICP tokens, which did not yet exist, for fiat currencies, ether (ETH), and bitcoin (BTC).

ICP Tokens

ICP tokens became available on multiple crypto asset trading platforms on or about May 10, 2021, when the network launched. DFINITY minted a total of 469 million ICP tokens, and ICP has been available for buying, selling, and trading on the Coinbase Platform since then. DFINITY stated publicly that it would use the proceeds from ICP sales to fund development, marketing, business operations, and growth and promotion of the Internet Computer protocol, and distributed approximately 24% of the ICP
The main points of this lawsuit summary are as follows:

I. Internet Computer (ICP)
- ICP was launched for public trading in May 2021 and received inbound interest from hundreds of private accredited entities such as hedge funds.
- From ICP's inception through today, DFINITY has publicly stated that its key developers, including Williams, have been and continue to be heavily involved in Internet Computer and have promoted their dedication to grow the network and increase the value of ICP.

- Williams has made public statements indicating the price of ICP will increase again, and DFINITY promotes that it burns ICP tokens as a mechanism to support the price of ICP by reducing their total supply.

II. NEAR
- NEAR is the native token of the NEAR blockchain protocol, a proof-of-stake blockchain conceived in 2018 by Delaware corporation Near, Inc.
- The NEAR protocol uses
Summary of Lawsuit

The NEAR Foundation raised $150 million in January 2022 through a "private" sale of NEAR tokens to venture capital investors. This sale was purportedly prohibited to U.S. investors, though NEAR tokens have been available for purchase and sale in the United States since October 2020, including on the Coinbase Platform since September 2022.

Since the launch of the NEAR protocol, publicly available information and statements disseminated by Near, the NEAR Foundation, and their common founders have led NEAR holders to view NEAR as an investment and expect profits from Near's and the NEAR Foundation's efforts to grow the protocol.

Approximately 35.7% of the one billion NEAR tokens initially minted were transferred to early investors that held convertible notes. The remaining initial supply of NEAR tokens was allocated to the "Core Contributors," "Early Ecosystem" developers, "Foundation Endowment," "Community Grants and Programs,"
VGX is the native token of the crypto asset platform Voyager, owned and operated by Voyager Digital, LLC. The Voyager platform allows customers to buy and sell crypto assets and earn interest through the Voyager Earn Program. Voyager's website advertises its "commission-free" "broker model" and "Smart Order Routing" to offer investors speed, liquidity, and pricing. In October 2020, Voyager acquired LGO Markets and swapped both VGX and LGO tokens into newly minted tokens referred to as VGX 2.0 tokens.

VGX is an "exchange token" for the Voyager platform, meant to reward customers for loyalty and motivate community members. Since November 2021, VGX has been available for buying, selling, and trading on the Coinbase Platform. As of June 2023, Voyager owned approximately 17% of all VGX tokens.

Voyager has touted the experience of its founders and highlighted the role it will have in ensuring the
The Dash token is the native token of the Dash blockchain and is used for financial transactions on the Dash platform, including payment of transaction fees. It has been available for trading on the Coinbase Platform since September 2019. The initial distribution of DASH was as rewards to miners that provided value to the Dash network by mining blocks for the blockchain. Ninety percent of the block rewards generated through blockchain mining are split between the Masternodes and the regular nodes, and the remaining 10% of the block rewards are sent to the

Dash Treasury to fund operation of, and improvements to, the Dash platform and DASH token. The DCG (Dash Core Group) is responsible for making budget proposals meant to improve and advance the Dash network, and the Masternodes vote on all funding proposals.
The Dash platform is an investment for non-Masternode token holders, as the fortunes of the investors are tied to the fortunes of the Masternodes and the DCG. The DCG has worked to improve the Dash platform, with features such as the cryptographic hash, InstantSend, and PrivateSend, all of which increase the demand for and value of DASH. The DCG also works to advance DASH as a medium of payment, with the DashDirect consumer app. Further, the value of DASH is enhanced by its limited supply and deflationary nature.

The Nexo platform provides crypto asset-related financial products and services, such as purchasing, lending, borrowing, trading, and storing. From February to May 2018, Nexo conducted a public offering of NEXO, selling NEXO to 129 investors globally in exchange for bitcoin and ETH, raising approximately $52.5 million.
Nexo has been offering and selling NEXO tokens since April to May 2018, and since at least March 2019, they have been available for buying, selling, and trading on crypto asset trading platforms in exchange for fiat currency or other crypto assets, including Coinbase Wallet since August 2021. Nexo has taken steps to make NEXO available for trading on crypto asset trading platforms and has touted the potential to increase the demand for and value of NEXO.

Nexo has also stated that they pool and use the proceeds from NEXO sales to fund and develop Nexo's lending and investment activities, and to make "interest rate payments" to NEXO investors. Additionally, Nexo has allocated 52.50% of NEXO tokens to investors, 25% to the growth of the loan portfolio, 11.25% to the founders and team, and 5.25% to the advisors. Six percent of NEXO tokens are retained by Nex
Nexo made several public statements touting its experience, awards, and success, and promised returns to investors. Nexo also provided special economic incentives and benefits to NEXO holders, including daily interest payments and lower interest rates on loans. Finally, Nexo conducted multiple NEXO token buyback programs.

Coinbase was required to register with the SEC as a national securities exchange, broker, and clearing agency, as it was bringing together orders of multiple buyers and sellers of crypto assets that were offered and sold as securities.
Coinbase has violated Sections 5(a) and 5(c) of the Securities Act by engaging in the unregistered offer and sale of securities in connection with its Staking Program. This program enables investors to stake five different assets (XTZ, ATOM, ETH, ADA, and SOL) and receive rewards. To participate, investors need to have or open an account at coinbase.com, purchase staking-eligible crypto assets, transfer their existing staking-eligible crypto assets to their Coinbase account, and opt in to the Staking Program. Coinbase pools the assets provided to Coinbase by investors in the Staking Program in omnibus crypto asset wallets, and then performs all of the efforts necessary and expected by investors to obtain investment returns. Coinbase pays itself a 25 or 35% commission and distributes the rewards pro rata to investors. Coinbase's Staking Program capitalizes on reward structures of proof-of-stake blockchains to reward participants with additional crypto assets. To be considered for selection, a potential

validator must commit a set amount of the blockchain's native asset. In addition, validators can earn rewards by participating in consensus activities, and may be subject to penalty deductions for underperformance.

Coinbase Offers Unique Features

Coinbase offers an investment opportunity to receive rewards from proof-of-stake blockchains, with benefits that may not be available to those staking on their own. Specifically, Coinbase's Staking Program offers no, or low, staking minimums or deposits, and allows investors to automatically earn rewards without the need to manually stake or unstake crypto assets. Furthermore, Coinbase allows users to track their rewards in real-time, and provides automated payouts of rewards.

Coinbase has marketed its Staking Program as an investment opportunity to the general public, promising potential profits through an expected rate of return. The program allows investors to participate in staking without having to meet high thresholds, such as the Ethereum blockchain's requirement of 32 ETH (currently approximately $60,000). Coinbase also provides services to reduce the complexities of staking and covers the expenses related to running a validator node. Until April 2023, Coinbase maintained a "liquidity pool" of crypto assets to provide investors with quicker liquidity in connection with unstaking requests. Additionally, Coinbase has offered bonuses to Staking Program participants, such as a $10 ETH bonus for staking at least $100.

Coinbase has marketed its Staking Program as an opportunity for investors to earn returns. It has done this through its website, tweets, and other marketing materials. It has also made statements about the growth of the program and its success in generating investor returns. CGI has also acknowledged the Staking Program's potential for earning and yield and highlighted its growth and success in SEC filings and quarterly earnings calls.

Coinbase has offered a Staking Program to all U.S. residents, excluding Hawaii and New York, since November 6, 2019. Through the program, investors have been able to stake and earn rewards in the form of XTZ, ATOM, ETH, ADA, and SOL. As of July 2022, over 4 million U.S. customers were invested in the program, with a total value of crypto assets committed by investors of approximately $28.7 billion. Coinbase has recognized revenue from its Staking Program, and in its 2022 Form 10-K CGI reported $275.5 million in revenue from Coinbase's blockchain rewards, consisting primarily of staking revenue.

The Coinbase Staking Program is a security under Howey, and therefore subject to registration under the Securities Act. Coinbase pools, segregates, and stakes investor assets by asset class.

Investors in the Coinbase Staking Program put their crypto assets at risk when participating in the program. Their assets are subject to risks such as slashing, being lost, and not being insured or guaranteed by any government or government agency. Furthermore, Coinbase pools investors' crypto assets together with their own in wallets they control, and stakes their own crypto assets alongside those of Staking Program investors, meaning their fortunes are tied together.

Coinbase provides a Staking Program for customers to earn returns on their digital assets. Coinbase treats all crypto assets as fungible and pools customer assets together to increase the likelihood of obtaining rewards from blockchain networks. Coinbase then takes a commission from the staking rewards, which can be changed at any time. The larger the pool of assets for staking, the higher the likelihood of obtaining rewards, which benefits both Coinbase and investors. If Coinbase fails to produce staking rewards, neither Coinbase nor investors receive any returns.

Coinbase's Staking Program is marketed as an investment opportunity that offers investors high, fixed returns and a "simple and seamless" and "easy and secure" staking process. Coinbase controls all Staking Program efforts and uses its technical expertise and experience to stake investor crypto assets and operate nodes on each of the five blockchain protocols to validate transactions and obtain the rewards from which investors returns are paid. Coinbase also takes steps to prevent malicious behavior or hacks, protect keys to staked assets, and increase server uptime.

Coinbase has offered and sold the Coinbase Staking Program, which allows investors to "stake" certain crypto assets and receive rewards, through interstate commerce. Coinbase has not registered this offering of the Staking Program as required by the Securities and Exchange Commission, and their public disclosures have lacked full and detailed information. The Commission has alleged that Coinbase has violated Section 5 of the Exchange Act by engaging in the acts and conduct described in the complaint.

This lawsuit alleges that Coinbase violated the Exchange Act and the Securities Act. Specifically, Coinbase is accused of violating Exchange Act Sections 5, 15(a), and 17A(b) and Sections 5(a) and 5(c) of the Securities Act. Coinbase is accused of doing so without registering as a national securities exchange and without being exempted from such registration, and without a registration statement in effect as to the securities. Coinbase's parent company, CGI, is also accused of being liable as a control person for Coinbase's violations.

The Securities and Exchange Commission (SEC) is suing Coinbase for violating Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. Â§Â§ 77e(a) and (c)]. The SEC is requesting that the Court enter a Final Judgment permanently enjoining Coinbase and any persons in active concert or participation with Coinbase from violating Sections 5, 15(a), and 17A(b) of the Exchange Act [15 U.S.C. Â§Â§ 78e, 78o(a), and 78q-1(b)], as well as Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. Â§Â§ 77e(a) and (c)]. The SEC is also requesting that the Court order Coinbase to disgorge all ill-gotten gains resulting from its Securities Act violations, with prejudgment interest thereon, and order Coinbase to

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