

SEC Charges Coinbase for Operating as an Unregistered Securities Exchange, Broker, and Clearing Agency

Coinbase also charged for the unregistered offer and sale of securities in connection with its staking-as-a-service program.

FOR IMMEDIATE RELEASE

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Washington D.C., June 6, 2023 — The Securities and Exchange Commission today charged Coinbase, Inc. with operating its crypto asset trading platform as an unregistered national securities exchange, broker, and clearing agency. The SEC also charged Coinbase for failing to register the offer and sale of its crypto asset staking-as-a-service program.

Unregistered Exchange, Broker, and Clearing Agency

According to the SEC's complaint, since at least 2019, Coinbase has made billions of dollars unlawfully facilitating the buying and selling of crypto asset securities. The SEC alleges that Coinbase intertwines the traditional services of an exchange, broker, and clearing agency without having registered any of those functions with the Commission as required by law. Through these unregistered services, Coinbase allegedly:

- Provides a marketplace and brings together the orders for securities of multiple buyers and sellers using established, non-discretionary methods under which such orders interact;
- Engages in the business of effecting securities transactions for the accounts of Coinbase customers; and
- Provides facilities for comparison of data respecting the terms of settlement of crypto asset securities transactions, serves as an intermediary in settling transactions in crypto asset securities by Coinbase customers, and acts as a securities depository.

As alleged in the SEC's complaint, Coinbase's failure to register has deprived investors of significant protections, including inspection by the SEC, recordkeeping requirements, and safeguards against conflicts of interest, among others.

The SEC's complaint also alleges that Coinbase's holding company, Coinbase Global Inc. (CGI), is a control person of Coinbase and is thus also liable for certain of Coinbase's violations.

Unregistered Offer and Sale of Securities in Connection with Staking-as-a-Service Program

The SEC alleges that, since 2019, Coinbase has been engaging in an unregistered securities offering through its staking-as-a-service program, which allows customers to earn profits from the "proof of stake" mechanisms of certain blockchains and Coinbase's efforts. Through this staking program, Coinbase allegedly pools each type of customers' stakeable crypto assets, stakes the pool to perform blockchain transaction validation services, and provides a portion of the rewards generated from this work to its customers whose assets were part of the pool. Coinbase failed to register its offers and sales of this staking program as required by law.

"We allege that Coinbase, despite being subject to the securities laws, commingled and unlawfully offered exchange, broker-dealer, and clearinghouse functions," said SEC Chair Gary Gensler. "In other parts of our securities markets, these functions are separate. Coinbase's alleged failures deprive investors of critical protections, including rulebooks that prevent fraud and manipulation, proper disclosure, safeguards against conflicts of interest, and routine inspection by the SEC. Further, as we allege, Coinbase never registered its staking-as-a-service program as required by the securities laws, again depriving investors of critical disclosure and other protections."

"You simply can't ignore the rules because you don't like them or because you'd prefer different ones: the consequences for the investing public are far too great," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "As alleged in our complaint, Coinbase was fully aware of the applicability of the federal securities laws to its business activities, but deliberately refused to follow them. While Coinbase's calculated decisions may have allowed it to earn billions, it's done so at the expense of investors by depriving them of the protections to which they are entitled. Today's action seeks to hold Coinbase accountable for its choices."

The SEC's complaint, filed in U.S. District Court for the Southern District of New York, alleges that Coinbase and CGI violated certain registration provisions of the Securities Exchange Act of 1934 and that Coinbase violated the securities offering registration provisions of the Securities Act of 1933. The complaint seeks injunctive relief, disgorgement of ill-gotten gains plus interest, penalties, and other equitable relief.

The SEC's investigation was conducted by Serafima McTigue, Erin E. Wilk, Amy Mayer, Joy Guo, Elizabeth Goody, and Derek Kleinmann of the Division of Enforcement's Crypto Assets and Cyber Unit, with the assistance of Ellen Chen of the San Francisco Regional Office. It was supervised by Steven Buchholz, Jorge G. Tenreiro, and David Hirsch of the Crypto Assets and Cyber Unit, as well as Danielle Voorhees, Nicholas Heinke, and Jason Burt of the Denver Regional Office. The SEC's litigation will be conducted by Nick Margida, Peter Mancuso, and Ben Kuruvilla and supervised by Ladan Stewart, Jorge G. Tenreiro, and Olivia Choe.

The SEC appreciates the assistance of the multi-state task force of ten state securities regulators led by California that also includes Alabama, Illinois, Kentucky, Maryland, New Jersey, South Carolina, Vermont, Washington, and Wisconsin.

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Related Materials

- [SEC Complaint](#)