

ALABAMA SECURITIES COMMISSION

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Alabama Securities Commission Issues Show Cause Order to Cryptocurrency Company “BlockFi”

MONTGOMERY, ALABAMA (July 21, 2021) – Alabama Securities Commission (ASC) Director Joseph Borg today announced that the ASC has issued a Show Cause Order to cryptocurrency company “BlockFi” based in Jersey City, New Jersey. The Order gives them 28 days to show cause why they should not be directed to cease and desist from selling unregistered securities in Alabama. The securities issued by BlockFi are interest earning crypto currency accounts called BlockFi Interest Accounts (BIAs). BlockFi has raised at least \$14.7 billion worldwide through the sale of these securities.

The Alabama Show Cause Order alleges that BlockFi, Inc. (“BlockFi”), through its affiliates BlockFi Lending, LLC (“BlockFi Lending”) and BlockFi Trading, LLC, has been funding its cryptocurrency lending operations and proprietary trading at least in part through the sale of unregistered securities in violation of the Securities Law.

“There are thousands of entities registered with the ASC, as required by law, to sell securities to the people of Alabama,” said Director Borg. “Most of those registered to sell securities live outside of Alabama, but anyone offering securities must be registered before making an investment offer to an Alabama resident.”

The ASC action comes amid rising concerns over the proliferation of decentralized finance platforms like BlockFi that seek to reinvent traditional financial systems such as banks and brokerages for digital asset investors. Borg said “Recognizing that technology has created a new financial frontier, Alabama has recently developed new regulations in the digital currency space. Unlike traditionally regulated banks and brokerage firms, investors’ losses are not insured against or protected by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC). As new developments occur, ASC is committed to ensuring that Alabamians are aware of the risks in this new financial space and have full protection under our laws. Further, these decentralized finance platforms, which are not currently registered or licensed, present a heightened risk of loss to investors.”

BlockFi allows investors to purchase a BIA by depositing certain eligible cryptocurrencies – including Bitcoin and Ethereum – into accounts at BlockFi. BlockFi then pools these cryptocurrency deposits together to fund its cryptocurrency lending operations and proprietary trading. In exchange for investing in the BIAs, investors are promised an attractive interest rate that is paid monthly in cryptocurrency.

The Show Cause Order alleges that, despite advertising on its website that BlockFi is a “US regulated entity”, BlockFi fails to disclose to investors that its BIAs are not registered with the ASC or any other securities regulator.

The ASC cautions citizen investors of all ages and experience to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC at 1-800-222-1253 to check out any person or financial professional offering an investment opportunity or investment advice for a fee, and the products they offer for proper registration. Contact the ASC to report suspected fraud, inappropriate securities business practices or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

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For further information contact Dan Lord, Education and Public Affairs Manager, 334-353-4858

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