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PRESS RELEASE

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

BALTIMORE, MD (September 30, 2022) – Maryland Attorney General Brian E. Frosh today announced that a digital-asset financial services company, BlockFi Lending LLC ([BlockFi](#)), entered into a [Consent Order](#) with the Securities Division to settle offers and sales of unregistered securities in the form of interest-bearing digital asset deposit accounts called BlockFi Interest Accounts ([BIAs](#)) to Maryland residents. As of December 31, 2021, BlockFi had 407,030 BIA investors in the US, of which more than 8,524 were Maryland residents.

BlockFi agreed to pay \$50 million to the 53 state securities agencies and \$50 million to the SEC to settle its offers and sales of unregistered securities. Under the Consent Order, BlockFi will pay the Maryland Office of the Attorney General \$943,396.22 to remedy its past unregistered offer and sale of securities to Maryland residents.

Maryland and other states alleged that BlockFi promoted its BIAs with promises of high returns for investors who purchased the lending products. BlockFi 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. The states alleged that 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 lending products.

BlockFi's settlement 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 fintech 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.

“Financial products based upon new technologies may be attractive to investors, but offerors like BlockFi must comply with existing laws and regulations. Those guardrails both promote competitive capital markets and ensure that Marylanders receive the benefit of the investor protections provided by state securities laws,” said Attorney General Frosh.

BlockFi has stopped offering its BIAs to the public. BlockFi’s parent company, BlockFi Inc., represented that it intends to file with state and federal regulators to offer and sell a new product. As part of the settlement terms, BlockFi has ceased allowing new investments in the BIAs and will not allow new investments until its securities are properly registered. BlockFi may continue to deploy digital assets for existing BIA investors and may continue to pay interest. Current investors may keep their existing investments with BlockFi and will continue to earn interest under their initial agreement with the company. This measure is designed to protect the interests of existing investors while allowing BlockFi time to bring itself into compliance with state and federal law.

Attorney General Frosh is continuing to consider enforcement actions against firms that fail to comply with state securities law. Firms that need to register and deal with past unregistered activity should contact their state and federal regulators. The Maryland Securities Division can be contacted at 410-576-6360 or email at securities@oag.state.md.us.

In making today’s announcement, Attorney General Frosh thanked Assistant Attorney General Max F. Brauer for his work on the case. Attorney General Frosh would also like to thank fellow NASAA member agencies, especially the multistate working group, for its coordinated efforts and the SEC for their collaboration and assistance.

<https://www.marylandattorneygeneral.gov/press/2022/093022a.pdf>