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SEC FATE



The Security Exchange Commission (SEC) filed a complaint on Thursday, accusing three parties of dealing with unregistered securities. Allegedly, one of the defendants — an ex-Coinbase employee — broke securities law by insider trading crypto assets that were about to be listed on the Coinbase platform. While the SEC complaint could result in civil penalties, the U.S. Attorney's Office for the Southern District of New York will also pursue criminal charges against all three individuals.

The specific complaint of the SEC centers on insider trading but also on the fact that some of the assets are seen to be securities. Carolyn M. Welshhans, Acting Chief of the Enforcement Division's Crypto Assets and Cyber Unit, stated that "whether in equities, options, crypto assets, or other securities, we will vindicate our mission by identifying and combatting insider trading in securities wherever we see it."

Twitter users were quick to point

out that the filing does not go into detail on what makes these particular assets securities. Jake Chervinsky noted that "The SEC's jurisdiction turns on whether these assets are, in fact, securities. This means the case may require nine mini-trials, one for each asset, to resolve their security status." Legal observers had several complaints about the SEC's approach in this matter, mainly around the procedural oversights and the apparent desire to "regulate by enforcement" which many say is a damper to innovation.

The SEC has always had an opaque and generally slow approach to engaging with cryptocurrency regulation in a meaningful way, from the continued denial of a spot BTC ETF to the straight up obfuscation of cryptocurrency's value proposition as an alternative to the highly propped-up financial system. It is safe to assume that the SEC will take every chance to prosecute and regulate anyone who they think falls in their jurisdiction.



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