

# The SEC says Ethereum tokens are not securities

*The coin's price rises by over 8 percent in response*

By [Shannon Liao](#) | [@Shannon\\_Liao](#) | Jun 14, 2018, 3:37pm EDT



Photo by Jack Taylor/Getty Images

The SEC has declared that Ethereum and its digital coin ether, are not securities today, during the Yahoo Finance summit. The announcement led the price of ether to rise by over 8 percent, hitting a high of \$520 per token.

William Hinman, director of the division of corporation finance at the SEC, explained at the summit: “Based on my understanding of the present state of ether, the Ethereum network and its decentralized structure, current offers and sales of ether are not securities transactions.”

Hinman also hints that other cryptocurrencies, or altcoins, might one day no longer need securities regulation. He says, “Over time, there may be other sufficiently decentralized networks and systems where regulating the tokens or coins that function on them as securities may not be required.”

In the past, the SEC has considered some digital tokens as securities, particularly tokens distributed through an initial coin offering. Last July, [DAO tokens were found to be securities](#) after an investigation, [according to a public SEC report](#). Therefore, they were subject to federal securities laws and the issuers had to register all sales of DAO tokens with the SEC. The report cautioned investors against initial coin offerings, which can also violate securities law. Months later, [SEC chairman Jay Clayton clarified](#) that “every ICO I’ve seen is a security,” and many were illegal.

### ***ETHER IS TOO DECENTRALIZED TO BE LABELED A SECURITY***

In April, [Clayton told Congress](#) that the commission did not consider bitcoin a security, describing it as, “a replacement for currency that has been determined by most people to not be a security.” Following that announcement, many experts anticipated that the commission would take a similar line on ether.

Today’s declaration echoed arguments made by experts that ether is too decentralized to be labeled a security. In an April post, Washington, DC think tank Coin Center’s director of research Peter Van Valkenburgh wrote that ether shouldn’t be a security because no third party is behind the virtual coin providing us with profits.

Coin Center said in a statement to *The Verge*: “We are glad the SEC agrees with our long held analysis of how securities law applies to decentralized cryptocurrency networks like Bitcoin and Ethereum.” It added that, “With this guidance, the SEC is showing that taking a pro-innovation approach does not have to come at the expense of protecting investors.”