

Title: Nvidia to Pay \$5.5 Million to Settle SEC Charges

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> Nvidia NVDA -0.90% will pay a \$5.5 million fine to the Securities and Exchange Commission to settle charges that allege the company failed to disclose the impact of cryptocurrency mining on its gaming business.

> According to the SEC, Nvidia (ticker: NVDA) failed to disclose that cryptocurrency mining was a significant element of its revenue growth from the sale of its gaming graphics processing units (GPUs) during consecutive quarters in 2018.

> Nvidia agreed to a cease-and-desist order and to pay a \$5.5 million penalty, but did not admit or deny the SEC's filing. A spokesperson for Nvidia told Barron's the company was declining to comment.

> cryptocurrency mining started gaining traction in 2017, fueling demand for high-powered GPUs well into 2018, the SEC said. Nvidia's gaming revenue increased by 52% year over year during the second quarter of 2018 and by 25% for the third quarter of that year. During the relevant period, some of the company's sales personnel expressed their belief that rising demand for the company's gaming products, especially in China, was driven by cryptocurrency mining, but Nvidia failed to disclose the information to investors, the SEC said.

> The omission was misleading because the company made statements about how other business segments were impacted by cryptocurrency demand, creating the impression that gaming business was isolated from cryptocurrency impacts, the SEC added.

> "Nvidia's disclosure failures deprived investors of critical information to evaluate the company's business in a key market," said Kristina Littman, chief of the SEC enforcement division's cryptocurrency assets and cyber unit.

> Shares of Nvidia were down 0.2% to \$187.90 on Friday. The stock has lost 36% this year.

Article source:

<https://www.barrons.com/articles/nvidia-stock-price-sec-fine-cryptocurrency-mining-51651854720?tesla=y>

SEC Press Release:

> FOR IMMEDIATE RELEASE

> Washington D.C., May 6, 2022 —

The Securities and Exchange Commission today announced settled charges against technology company NVIDIA Corporation for inadequate disclosures concerning the impact of cryptocurrency mining on the company's gaming business.

> The SEC's order finds that, during consecutive quarters in NVIDIA's fiscal year 2018, the company failed to disclose that cryptocurrency mining was a significant element of its material revenue growth from the sale of its graphics processing units (GPUs) designed and marketed for gaming. cryptocurrency mining is the process of obtaining cryptocurrency rewards in exchange for verifying cryptocurrency transactions on distributed ledgers. As demand for and interest in cryptocurrency rose in 2017, NVIDIA customers increasingly used its gaming GPUs for cryptocurrency mining.

> In two of its Forms 10-Q for its fiscal year 2018, NVIDIA reported material growth in revenue within its gaming business. NVIDIA had information, however, that this increase in gaming sales was driven in significant part by crypto mining. Despite this, NVIDIA did not disclose in its Forms 10-Q, as it was required to do, these significant earnings and cash flow fluctuations related to a volatile business for investors to ascertain the likelihood that past performance was indicative of future performance. The SEC's order also finds that NVIDIA's omissions of material information about the growth of its gaming business were misleading given that NVIDIA did make statements about how other parts of the company's business were driven by demand for crypto, creating the impression that the company's gaming business was not significantly affected by crypto mining.

> "NVIDIA's disclosure failures deprived investors of critical information to evaluate the company's business in a key market," said Kristina Littman, Chief of the SEC Enforcement Division's crypto Assets and Cyber Unit. "All issuers, including those that pursue opportunities involving emerging technology, must ensure that their disclosures are timely, complete, and accurate."

> The SEC's order finds that NVIDIA violated Section 17(a)(2) and (3) of the Securities Act of 1933 and the disclosure provisions of the Securities Exchange Act of 1934. The order also finds that NVIDIA failed to maintain adequate disclosure controls and procedures. Without admitting or denying the SEC's findings, NVIDIA agreed to a cease-and-desist order and to pay a \$5.5 million penalty.

> The SEC's investigation was conducted by Brent Wilner of the crypto Assets and Cyber Unit, and supervised by Diana Tani and Ms. Littman of the crypto Assets and Cyber Unit.

Source <https://www.sec.gov/news/press-release/2022-79>