



NEWS RELEASE | **FOR IMMEDIATE RELEASE** | February 06, 2023

North Dakota Joins \$22.5 Million Multistate Securities Settlement Against Crypto Platform Nexo Capital

Bismarck ND – The North Dakota Securities Department today announced it has entered into a settlement agreement with cryptocurrency platform Nexo Capital Inc. (Nexo) related to the sale of unregistered securities in connection with Nexo’s Earn Interest Product program (EIP). Nexo offered and sold EIP accounts to over 93,000 investors in the United States, totaling over \$800,000,000.

A Cayman Islands corporation established in 2018, Nexo provides virtual currency-related financial services to retail and institutional customers and investors in the United States, including trading, borrowing, and lending services. During the investigation, it was discovered that EIP investors could passively earn interest on digital assets by loaning those assets to Nexo. Nexo maintained total discretion over the revenue-generating activities utilized to earn returns for investors. The company offered and promoted the EIP and other products to investors in the U.S. via its website and social media channels suggesting in some instances that investors could obtain returns as high as 36%.

Nexo is alleged to have failed to comply with state securities registration requirements and, as a result, investors were sold unregistered securities in violation of state law and additionally were deprived of critical information and disclosures necessary to understand the potential risks of the EIP.

“While new technology may alter the form of a financial instrument or transaction, it does not necessarily alter the substance. Digital asset intermediaries engaging in securities transactions need to come into compliance with the existing laws and regulations designed to protect investors who put their assets at risk,” said Securities Commissioner Karen Tyler.

A multijurisdictional working group conducted the investigation and negotiated a \$22.5 million multi-state settlement with Nexo on behalf of 53 United States jurisdictions. Under this settlement, Nexo has agreed to implement various investor protection procedures for the benefit of Nexo’s U.S. investors. The U.S. Securities and Exchange Commission entered into a separate settlement with Nexo for the same penalty amount.

For the states participating in the settlement, Nexo will pay a fine of \$424,528.30 and cease offering and selling the EIP or accepting further investments in the EIP until such activities are compliant with applicable state and federal securities laws.

For More Information Contact:

North Dakota Securities Department
Carl Karpinski, *Enforcement Attorney* | 701-328-4881
cmkarpinski@nd.gov

Doug Burgum, *Governor*

Karen Tyler, *Securities Commissioner*

State Capitol | 600 E. Boulevard Ave., 14th Floor | Bismarck, ND 58505
PHONE: (701) 328-2910 | E-MAIL: ndsecurities@nd.gov | WEBSITE: www.securities.nd.gov