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State to get over $400,000 through settlement with crypto company

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Wisconsin will receive more than $400,000 through a settlement with the crypto-related company Nexo Capital, the state Department of Financial Institutions says.

DFI this week announced a $22.5 million multi-state securities settlement against the company, which was created in 2018 in the Cayman Islands. Nexo Inc. and Nexo Capital Inc., collectively called Nexo, provides services related to cryptocurrency assets. That includes investing, trading, borrowing and lending.

One of its offerings, the “Earn Interest Product” program, was the focus of an investigation by a North American Securities Administrators Association working group that included DFI and other state regulators. The program offered investors interest-bearing crypto asset accounts, the DFI release shows.

Late last year, members of the working group took action against Nexo after finding these accounts are securities and therefore require protections for investors such as registration and risk disclosures. On Nov. 3, DFI issued a legal order against the company alleging Nexo had violated state law by offering and selling unregistered securities, according to an agency spokesperson.

Rather than requesting a hearing in which the agency would have presented evidence to support the summary order, Nexo entered into a “consent order” under which it agreed to end its violations of the securities laws and pay a civil penalty of $424,528 to the state.

Of that total, $141,509 is due immediately, the spokesperson explained. The rest of the penalty will be paid over the next nine months in three equal payments of $94,339. These funds may be used to cover the cost of investor education efforts, with excess dollars going into the state’s general fund.

Under the consent order, Nexo will be required to register the Earn Interest Product program or any other security products before selling them in Wisconsin.

“However, Nexo has announced it is winding down its business in the United States in the coming months,” the spokesperson wrote in an email. “For that reason, Wisconsin investors should consider withdrawing all assets from their Nexo accounts as soon as possible.”

See the release:
https://www.wdfi.org/newsroom/press/2023/20230131NewsReleaseNexoVFINAL.pdf

See the consent order:
https://www.wdfi.org/_resources/indexed/site/newsroom/admin_orders/2023/245199%20Nexo%20Inc%20&%20Nexo%20Capital%20Inc%20Consent%20Order.pdf

–By Alex Moe