



Washington State Department of Financial Institutions

# Division of Securities

## WINTER 2021/2022 UPDATE

### Securities Division Accuses Cryptocurrency Lenders of Offering Unregistered Securities

The Securities Division is joining other states in their efforts to regulate the offer and sale of unregistered securities in the form of earned interest programs. Recently, companies that provide virtual currency related financial services have offered U.S. customers the opportunity to earn interest on their cryptocurrency deposits. Often, these companies generate this interest income by lending customer deposits to institutional borrowers and engaging in proprietary trading, both of which entail varying amounts of risk to customer funds. This new space has been operating with little to no oversight, leaving many retail investors at risk of losing their investments. So far, the Division has entered two Statements of Charges citing violations of the registration and antifraud provisions of the Securities Act of Washington, and has several more ongoing investigations. The Division is encouraging these companies to evaluate whether they are offering securities and, if so, to get registered with the proper regulatory authority.

### DIVISION STATS AT A GLANCE AS OF DECEMBER 31, 2021

#### Number of Licensees

Securities Broker Dealers	1,713
Investment Advisers	688
Investment Adviser Representatives	13,782
Securities Salespersons	197,908
Registered Securities Offerings	39
Registered Franchise Offerings	941
Registered Business Opportunities	2

#### Enforcement Results for Calendar Year 2021 through December 31:

##### Complaints Received

272

##### Enforcement Actions Issued

88

##### Active Cases

188



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### Securities Division Sees an Uptick in Cryptocurrency Scam Websites



The Division has seen an increase in cryptocurrency related scams. Typically, the scammer befriends unsuspecting victims through social media and dating websites. After the scammer builds trust in the relationship, the scammer directs the victim to a website that promises exorbitant returns on cryptocurrency investments. The scammer will direct the victim to invest in the fraudulent trading program by transferring cryptocurrency to a digital wallet. Once the victim has made their “deposit,” the scam website will show massive investment gains in the victim’s account.

When the victim tries to make a withdrawal of these purported investment gains, however, the scammer tells the victim they must pay various fees before they can make a withdrawal. Even if the victim pays these fees, the scammer never returns any money to the victim. Eventually, once the scammer has bilked enough money from the investor, the scammer, and often the website, will disappear.

In the past six months, in an effort to inform and educate the public on these scams, the Division has entered five Statements of Charges against these types of fraudulent websites. The Division will continue its work of educating Washington investors about these scams through community outreach and investor alerts.