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REGULATION &
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STATE OF NEW MEXICO
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For Immediate Release
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New Mexico Joins with 32 Other States and SEC to announce $100 Million Settlement with BlockFi

Santa Fe, N.M. – The Securities Division, of the New Mexico Regulation and Licensing Department, today announced that a digital-asset financial services company, BlockFi Lending, LLC (BlockFi), agreed to settlement terms concerning its lending products and practices. Thirty-two state securities regulators and the Securities and Exchange Commission (SEC) have agreed to the terms of a settlement with BlockFi to resolve its past unregistered activities.

"Compliance with the securities laws serves the dual purposes of protecting investors and facilitating responsible capital formation," said Superintendent Linda Trujillo. "Innovation in the capital markets is necessary for the growth and evolution of our financial system, and we will ensure this occurs within the appropriate regulatory framework."

In the past year, state securities regulators, coordinated through the North American Securities Administrators Association (NASAA), led a multi-state working group to conduct a comprehensive review and investigation of BlockFi focused on the sale of unregistered securities to retail investors through BlockFi interest accounts (BIAs).

As alleged in the numerous state securities actions, BlockFi promoted its BIAs with promises of high returns for investors who purchased the products. BlockFi took control of and pooled its investors' loaned digital assets, and exercised sole discretion over the pooled digital assets, including how to use those assets to generate a return and pay investors the promised interest.

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

As of December 31, 2021, BlockFi had 407,030 BIA investors in the US, of which more than **1,233 were New Mexico residents.**

Today's action serves to settle BlockFi's past unregistered conduct and makes clear that firms must comply with applicable laws and regulations in order to legally offer its investments to investors.

BlockFi agreed to stop selling its products in all U.S. states and territories unless and until they are registered in compliance with state and federal law.

To settle its past unregistered conduct, BlockFi has agreed to pay $50 million to NASAA member jurisdictions and $50 million to the SEC for a total settlement of $100 million. NASAA members will share equally in the settlement and the 53 U.S. jurisdictions that are members of NASAA are each able to claim a settlement of $943,396.22 after executing the appropriate consent orders.

On February 14, 2022, BlockFi will stop offering its BIAs to the public. As part of the settlement terms, although BlockFi will cease allowing new investments until its securities become properly registered, BlockFi may continue to deploy digital assets for existing BIA investors and may continue to pay interest. Between February 14 and when BlockFi Inc.'s securities become registered and qualified or permitted for sale with the states and the SEC, current investors may keep their existing investments with BlockFi and will continue to earn interest under their initial agreements with the company. This measure is designed to protect the interests of existing investors while allowing BlockFi time to bring itself into compliance with state and federal law.

"State securities regulators recognize the potential value new technology brings to financial markets. Complying with existing laws and regulations promotes competitive capital markets and continued investor protection," said Interim Director Benjamin Schrope. "This settlement recognizes the important work of state securities regulators and the SEC in making sure that those who are investing their hard-earned money understand the risks and rewards of their decisions."

BlockFi's BIAs are one example of a type of digital asset lending investment offered by firms. The SEC's order provides a dual legal analysis of BIAs, applying the tests for both investment contracts and notes. State actions also note that the securities fit the test for evidence of indebtedness. When offering investments to the public, firms should consider all definitions of a security and conduct the necessary analyses to determine if their activities fit any of those definitions. Firms offering lending products need to comply with state and federal securities laws, which are designed to make sure investors receive adequate and truthful disclosures in order to make informed decisions about whether particular investments are appropriate.

The New Mexico Securities Division is continuing to consider enforcement actions against firms that fail to comply with state law. Firms that need to register and deal with past unregistered activity should contact their state and federal regulators. The Securities Division can be contacted at1-800-704-5533.

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The New Mexico Regulation and Licensing Department, which houses the Securities Division, regulates more than 500,000 individuals and businesses in 35 industries, professions, and trades across the state. Our goal is to assure that New Mexicans receive quality services from qualified individuals and businesses while also ensuring a fair and prompt administrative process. Our priority is your protection.