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## State Securities Regulators Are Increasing Actions Against Cryptocurrency Issuers and Exchanges

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Cryptocurrency is the newest investment vehicle used by companies to raise capital. At the federal level, the Securities and Exchange Commission has increased its scrutiny of cryptocurrencies over the past two years; but until recently, there has been little oversight by state securities regulators in this area. However, regulatory authorities in many states are now cracking down on cryptocurrency issuers and participants that violate state securities laws.

While the laws of individual states regarding investing in cryptocurrency vary, it is important to note that all states can assert jurisdiction over securities transactions involving crypto-related subject matter because there is no blanket federal jurisdictional preemption in securities regulation. This means that issuers considering only the federal regulations also may be in violation of a state statute.

Regulatory and law enforcement authorities in many states are paying closer attention to cryptocurrencies, initial coin offerings, and other cryptocurrency-related investment products, and have become more active in enforcing securities laws in connection with such transactions. States with recent investigations include Texas, Colorado, Ohio, Massachusetts, New Jersey, and New York.

Along the same lines, earlier this year, the North American Securities Administration Association (NASAA) conducted one of the largest coordinated series of enforcement actions by state securities regulators in the United States aimed at cracking down on fraudulent initial coin offerings and cryptocurrency-related investment products, and those behind them.

Given the new environment in the cryptocurrency world, issuers, broker-dealers, and traders of cryptocurrency should review any cryptocurrency transaction to ensure it is made in compliance with both federal and state securities laws.

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