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Stock Market Investing Tips, Techniques, and Resources



More Trouble in the World of Crypto

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When the issue of regulation in the world of cryptocurrencies came up years ago nobody in the crypto world was interested. The idea behind cryptocurrencies was to have a financial system free of middlemen taking their cut and governments simply making it hard for the system to work. Now that folks have lost \$2 trillion in dollar value of their cryptocurrencies in the last 14 months, crypto investors are more interested in how regulation might have prevented [crypto business collapse](#) and [crypto business fraud](#). Meanwhile, the regulators are descending on crypto companies like a cloud of locusts ready to devour all in sight. The most recent trouble in the crypto world is the SEC charging [Genesis](#) and Gemini for offering and selling [unregistered securities](#) as noted in an SEC press release.

SEC Case Against Gemini and Genesis

The Securities and Exchange Commission (SEC) says that Gemini and Genesis offered and sold unregistered securities through the Gemini Earn Lending Program. This program raised capital from investors who earned interest on their crypto assets. Then the crypto assets were lent at higher rates of interest or traded in hopes of earning a profit greater than the interest being paid. Billions of dollars' worth of crypto assets were invested by hundreds of thousands of investors. This program began in 2021 and by November of 2022 Genesis did not allow Gemini investors to withdraw their funds as their "liquidity" was in trouble due to the falling crypto market and [prolonged crypto winter](#). The main issue for the SEC is not that a business failed and that its investors lost money. As of January 2023 the Gemini Earn program has been shut down and about 340,000 investors are unable to withdraw crypto assets worth roughly \$900 million. The main issue for the SEC is that people who sell securities are obliged to explain the risks involved to their investors, which, they say, neither Gemini nor Genesis did.

Why Is Security Registration Required?

The Securities Act of 1933 requires registration of securities in order to ensure that investors receive all meaningful financial and other information pertaining to a security being offered for sale. This is designed to keep investors from falling prey to misrepresentations, deceit, and fraud associated with the sale of securities. The SEC alleges in their complaint that the Gemini Earn program offered and sold securities and should have abided by the law and registered with the SEC.

What Does Registration of Securities Entail?

According to the SEC's Investor.gov web page, the point is to provide investors with the necessary information to make [informed investment decisions](#). Companies need to provide a description of their business and their properties, a detailed explanation of the security being offered for sale, information about company management, and financial statements that are certified by accountants independent from the company involved. The SEC examines information provided by a company offering securities to make certain that all

pertinent information has been included but the SEC does not evaluate investments and determine if they are good or bad for investors. The point that the SEC makes in the case of Gemini and Genesis is that the companies bypassed disclosure requirements that have worked for nearly a century to protect investors. The SEC Chair, Gary Gensler, notes that the crypto lending businesses need to comply with the same laws as everyone else who offers securities for investment in order to protect investors. It should be noted by investors in the crypto loan program involved here that investors have the right to recover lost assets when a security filing left out important information! Furthermore the SEC has an active [whistleblower program](#) meant to ferret out securities fraud.

Crypto Investors Need to Be Skeptical

As crypto prices skyrocketed (and plunged) between 2017 and 2021 a lot of the big guns in the crypto world sought to provide a rational basis for crypto investing and crypto businesses. Crypto was a way to protect against inflation, a safe haven when traditional currencies crashed, a way to protect wealth during times of social and political strife and war. As the last 4 have shown, none of this is true. Previously, crypto promoters were essentially “preaching to the choir” of crypto true believers. Now, after so many have been stung, they are coming around to the same sort of thinking that stock market investors came to after the 1929 stock market crash when the concept of [intrinsic value](#) was introduced and many of the securities laws that protect investors were enacted. Crypto investors need to be skeptical of any and all investments and subjecting the worlds of [DeFi](#) to the same sorts of regulations that stocks, banks, and the rest are required to follow is a valuable first step.

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