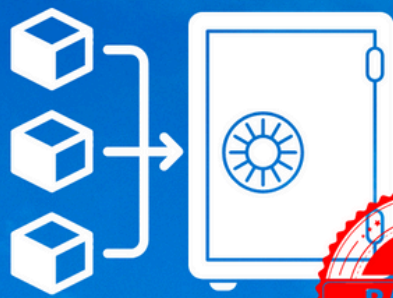


NO, STAKING?



STAKING



SEC QUESTION THE CRYPTO, WHAT ARE DOING WITH IT?

Report by **Crypto Extraction**



CryptoExtraction

EXTRACTING EVERY CRYPTOCURRENCY

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Hold on a second, what does that mean?

FIRST OF ALL, SEC WANTS TO STOP STAKING

On February 9th, 2023, Brian Armstrong, CEO of Coinbase, tweeted a thread about the rumor that the SEC wants to stop staking, **especially for retail investors.**

On Twitter

1/ We're hearing rumors that the SEC would like to get rid of crypto staking in the U.S. for retail customers. I hope that's not the case as I believe it would be a terrible path for the U.S. if that was allowed to happen.



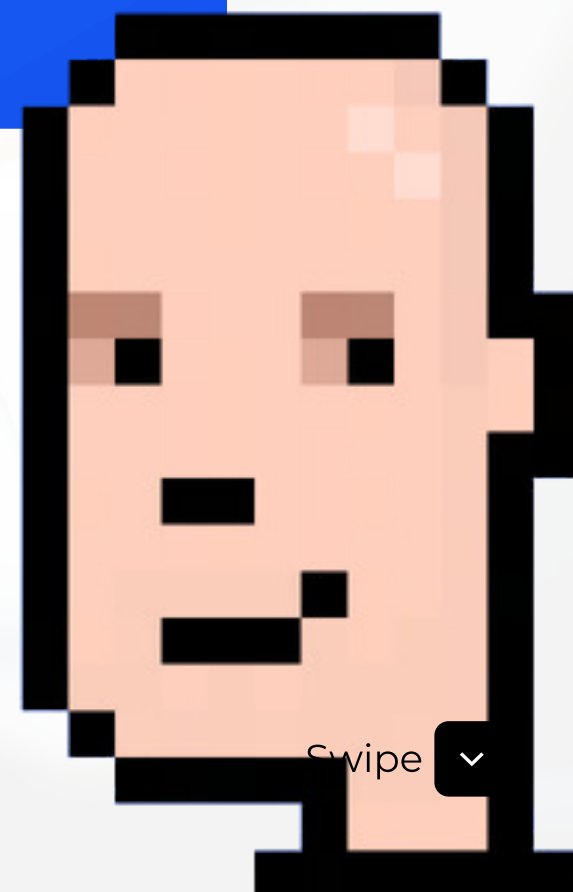
SEC

Today, no more
staking for you

Sorry SEC, you
let us down!



Retail Investor



Swipe

Brian Armstrong

Co-founder & CEO at @Coinbase



How does the SEC define an investment as part of securities?

HOWEY TEST

What is Howey Test?

The US Supreme Court has established a standard, known as the Howey test, for determining whether an "investment contract" qualifies as a security under the Securities Act of 1933 and the Securities Exchange Act of 1934. This standard requires disclosure and registration with the SEC.

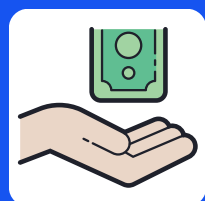
4 Criteria to determine a securities:



**An investment
of money**



**In a common
enterprise**



**With the
expectation of profit**



**To be derived from
the efforts of others**



@cryptoextraction

Kraken

Kraken is a worldwide centralized cryptocurrency exchange based in San Francisco where buyers can use fiat, such as US dollars, euros, Japanese yen, and Canadian dollars. To date, Kraken is the 3rd CEX after Binance and Coinbase, with trading volume above \$400 million.



Every investment categorized as securities that is placed in the USA must be registered under the SEC



9 Feb 2023

The SEC charged Payward Ventures, Inc. and Payward Trading Ltd., which own Kraken, \$30 million after failing to register staking as a service program with the SEC

Both holding businesses agreed to directly settle with the SEC and paid the \$30 million without fighting it, and **no more staking as a service for US customers**



Hey, Kraken, you are being charge for \$30 million

Ok, SEC, we agree to pay it and consider it done, ok?

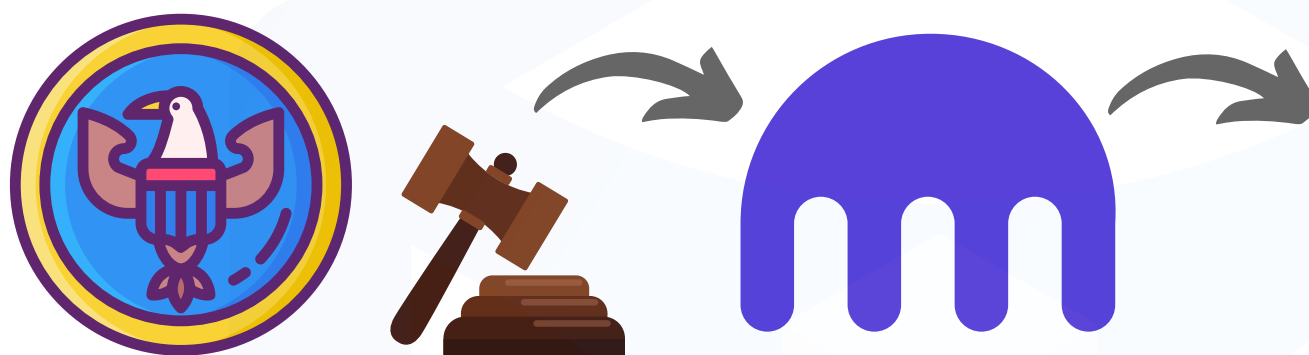


Swipe 



Kraken is under sec alert

THE SEC DOCUMENT FOR COMPLAINT AND DEMAND JURY TRIAL



Let's see the document

- On June 2022, Kraken has over 135,000 US based customer with \$2.7 billion of crypto worth with the staked crypto has made a million revenue for Kraken in which around \$45 million
- The SEC has several concerns about Kraken staking, from not registering this stake information with the SEC, not staking the token that should be staked on the on-chain, Kraken's control of the staking fee, and Kraken's advertising to the public. For instance, the Kraken website shows "Earn up to 21% yearly on your crypto."

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1 David Hirsch (hirschd@sec.gov)
2 Jorge Tenreiro (tenreiroj@sec.gov)
3 James Connor (connorja@sec.gov)
4 Eugene Hansen (Trial Counsel) (DC Bar No. 483638)
5 (hansene@sec.gov)
6 Attorneys for Plaintiff
7 SECURITIES AND EXCHANGE COMMISSION
8 100 F Street, N.E.
9 Washington, DC 20549-4030
10 Telephone: (202) 551-6091 (Hansen)
11 Facsimile: (202) 772-9282 (Hansen)

12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14 SAN FRANCISCO DIVISION

15 SECURITIES AND EXCHANGE COMMISSION,
16 Plaintiff,
17 v.
18 PAYWARD VENTURES, INC. (D/B/A KRAKEN);
19 and
20 PAYWARD TRADING, LTD. (D/B/A KRAKEN),
21 Defendants.

Case No. 23-cv-588

COMPLAINT AND
DEMAND FOR JURY TRIAL

22 Plaintiff Securities and Exchange Commission (the "SEC" or "Commission"), for its
23 Complaint against Defendants Payward Ventures, Inc. d/b/a Kraken and Payward Trading,
24 Ltd. d/b/a Kraken (collectively "Defendants" or "Kraken"), alleges as follows:

SUMMARY

25 1. This case concerns the illegal unregistered offer and sale of securities
26 involving the staking of crypto assets.¹ In particular, Defendants have offered and sold an
27 investment contract to the general public, including United States investors, whereby

28 ¹ As used in this Complaint, "crypto asset" refers to an asset that is issued and/or
transferred using distributed ledger or blockchain technology—including, but not limited to,
so-called "digital assets," "virtual currencies," "cryptocurrencies," "coins," and "tokens."

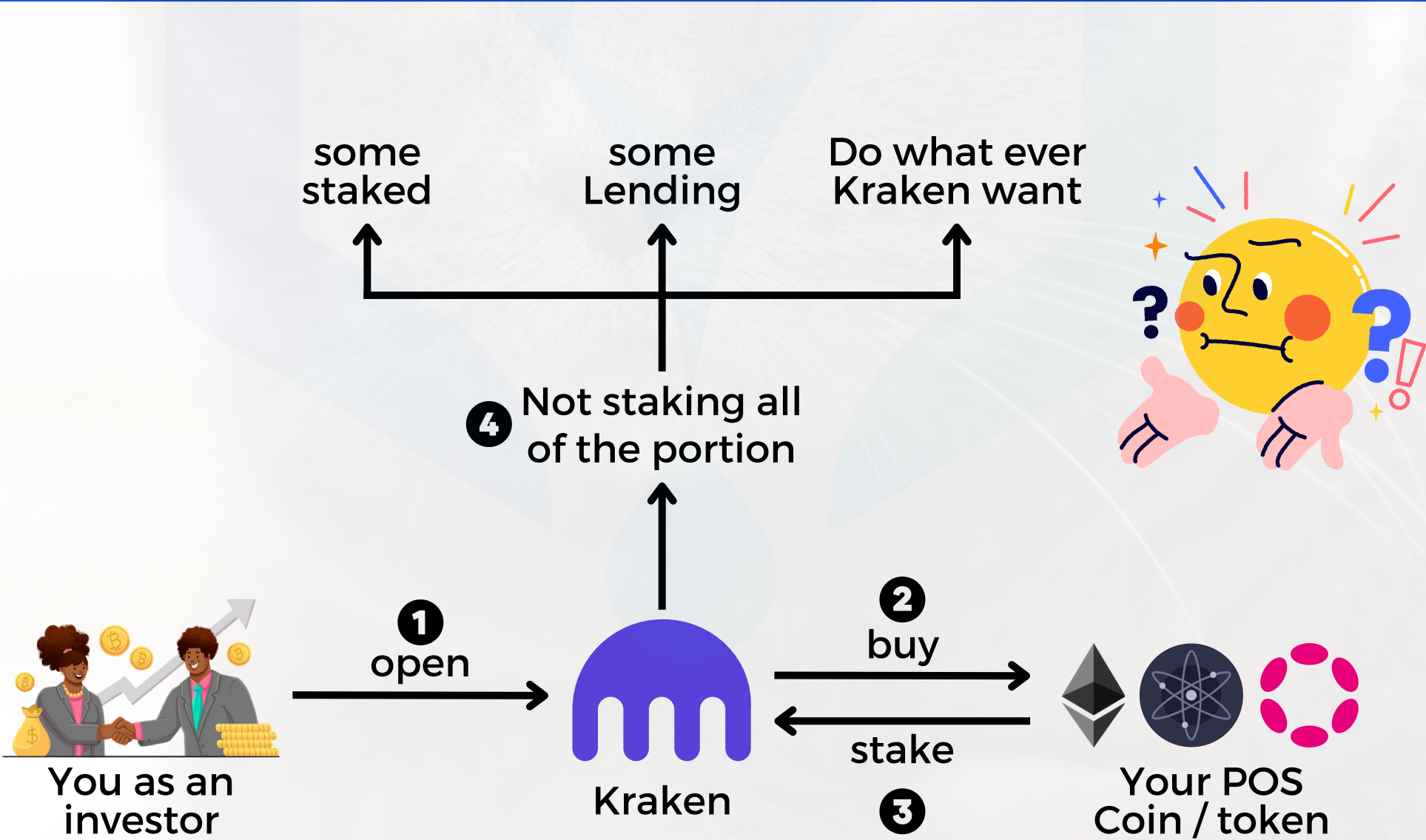
COMPLAINT



INTERESTING

In the facts section, number 2, the kraken staking program is offered and sold as security > A Participants In The Kraken Staking Program Invest Money

"71. Investors put their crypto assets at risk as part of the Kraken Staking Program. Defendants have control over all the crypto assets invested in the Kraken Staking Program and choose when and how to use them. (As explained above, Defendants do not actually stake all crypto assets received from investors.) Moreover, according to the Kraken Terms of Service, these crypto assets may be encumbered by Kraken's creditors. In addition, to the extent that an investor's crypto assets actually are staked to the underlying blockchain protocol, those assets are at risk of being slashed.5"





@cryptoextraction

STAKE STAKE STAKE



Source: <https://twitter.com/GaryGensler/status/1623777842000539648>



3 POINTS



**BASIC AND RISK
OF STAKING**



**TOKENOMIC
DISCLOSURES**



**SECURITY LAW
FOR STAKER?**

The next day, February 10th, 2023

GARY GENSLER

Gary Gensler tweeted that the SEC charged Kraken for selling unregistered securities through staking-as-a-service program. The crypto provider must comply with disclosure and safeguard laws. Gary also attached a video about staking that needs to comply with US law to protect customers!

Provide additional comment:

"with wide-ranging noncompliance, frankly, it's not surprising that we've seen many problem in these [crypto] markets... it's reminiscent of what we had in the 1920s before the federal securities laws were put in place.

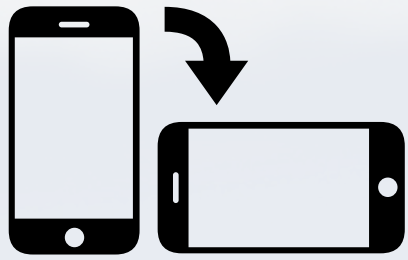
Gary Gensler

33rd Chair @SECGov

Source: <https://twitter.com/GaryGensler/status/1668272427074199567>

Swipe





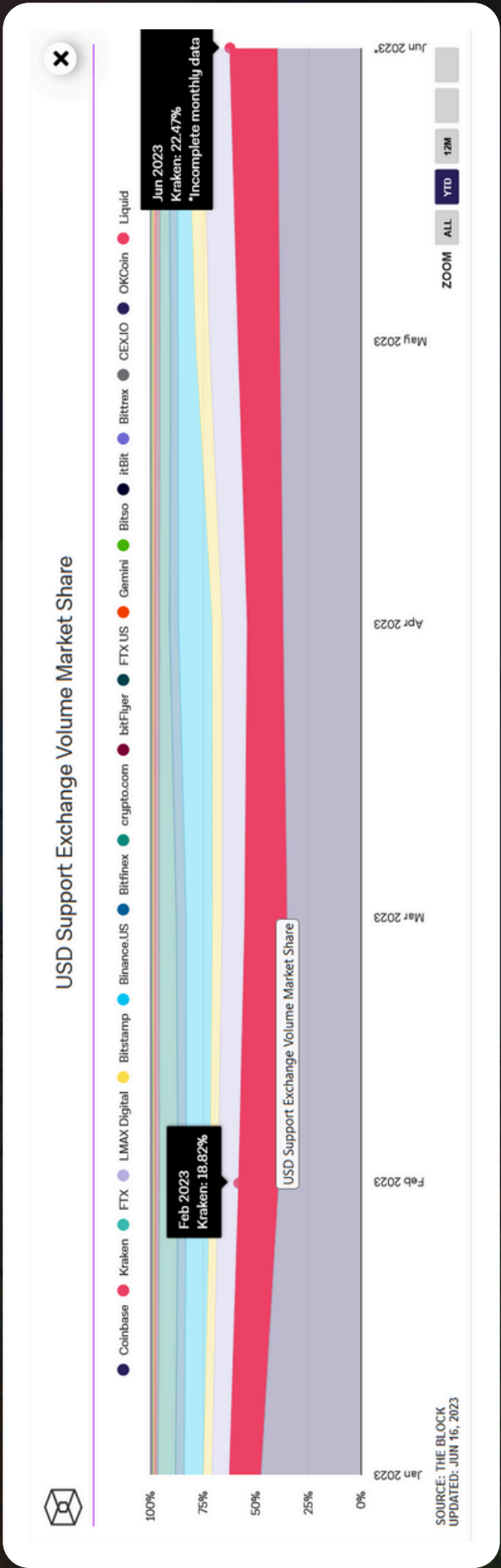
ROTATE TIME

GOOD NEWS

For Kraken

THE KRAKEN BUCKS TREND, SEES INCREASE IN USD VOLUME SHARE FOLLOWING SEC ACCUSATIONS

Since the SEC released the press release and Kraken related companies agreed to pay all in full, the Kraken USD support exchange volume market share keeps increasing compared to 15 other exchanges operated in the United States of America



Feb 2023 18.22% → Jun 2023 22.47%



-MEANWHILE-

COINBASE WILL FIGHT SEC FOR U.S. CRYPTOS INVESTOR



Unlike Kraken, Coinbase will make additional efforts to make US investors able to stake proof-of-stake coins or tokens through a centralized exchange. This will promote the adoption and growth of proof-of-stake cryptocurrencies

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- Coinbase: <https://cryptoexchangereviews.com/exchanges/coinbase/>

Youtube

- <https://www.youtube.com/watch?v=brsc-MbYNnA>

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