U.S. Securities and Exchange Commission
Office of Public Affairs

CONTACT: news@sec.gov

PRESS RELEASE
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Kraken to Discontinue Unregistered Offer and Sale of Crypto Asset Staking-As-A-Service Program and Pay $30 Million to Settle SEC Charges

Washington D.C., February 9, 2023 — The Securities and Exchange Commission today charged Payward Ventures, Inc. and Payward Trading Ltd., both commonly known as Kraken, with failing to register the offer and sale of their crypto asset staking-as-a-service program, whereby investors transfer crypto assets to Kraken for staking in exchange for advertised annual investment returns of as much as 21 percent.

To settle the SEC's charges, the two Kraken entities agreed to immediately cease offering or selling securities through crypto asset staking services or staking programs and pay $30 million in disgorgement, prejudgment interest, and civil penalties.

According to the SEC's complaint, since 2019, Kraken has offered and sold its crypto asset "staking services" to the general public, whereby Kraken pools certain crypto assets transferred by investors and stakes them on behalf of those investors. Staking is a process in which investors lock up – or "stake" – their crypto tokens with a blockchain validator with the goal of being rewarded with new tokens when their staked crypto tokens become part of the process for validating data for the blockchain. When investors provide tokens to staking-as-a-service providers, they lose control of those tokens and take on risks associated with those platforms, with very little protection. The complaint alleges that Kraken touts that its staking investment program offers an easy-to-use platform and benefits that derive from Kraken's efforts on behalf of investors, including Kraken's strategies to obtain regular investment returns and payouts

"Whether it's through staking-as-a-service, lending, or other means, crypto intermediaries, when offering investment contracts in exchange for investors' tokens, need to provide the proper disclosures and safeguards required by our securities laws," said SEC Chair Gary Gensler. "Today's action should make clear to the marketplace that staking-as-a-service providers must register and provide full, fair, and truthful disclosure and investor protection."

"In case after case, we've seen the consequences when individuals and businesses tout and offer crypto investments outside of the protections provided by the federal securities laws: investors lack the disclosures they deserve and are harmed when they don't receive them," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "Today, we take another step in protecting retail investors by shutting down this unregistered crypto staking program, through which Kraken not only offered investors outsized returns untethered to any economic realities, but also retained the right to pay them no returns at all. All the while, it provided them zero insight into, among other things, its financial condition and whether it even had the means of paying the marketed returns in the first place."

In addition to ceasing the staking program and the monetary relief, Payward Ventures, Inc. and Payward Trading, Ltd, without admitting or denying the allegations in the SEC's complaint, consented to the entry of a final judgment, subject to court approval, that would permanently enjoin each of them from violating Section 5 of the Securities Act of 1933 and permanently enjoin them and any entity they control from, directly or indirectly, offering or selling securities through crypto asset staking services or staking programs.

The SEC's investigation was conducted by Laura D'Allaird and Elizabeth Goody, under the supervision of Paul Kim, Jorge G. Tenreiro, and David Hirsch, with assistance from Sachin Verma, Eugene Hansen, and James Connor.

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