



SECURITIES BULLETIN

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ANDREA SEIDT
Commissioner of Securities

COMMENTS FROM COMMISSIONER ANDREA SEIDT



OHIO SECURITIES BULLETIN
ISSUE 2015:1

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Happy New Year. I hope everyone had a safe and relaxing holiday season. I had some time to count my own Commissioner blessings for 2014 and would like to take the opportunity here to share some of the highlights from this past year.



- The Division of Securities spent a lot of time working directly with federal regulators at the Securities and Exchange Commission (SEC), the Financial Industry Regulation Authority (FINRA), as well as industry leaders like Securities Industry and Financial Markets Association (SIFMA), Financial Services Institute (FSI), and the Investment Program Association (IPA), to find ways to improve state securities regulation here in Ohio and around the country. By sharing the Ohio Department of Commerce’s partnership model, the Division has successfully opened new communication lines and enhanced customer relations on the compliance front. The Division looks forward to further progress this year as it becomes an active participant in Ohio’s Business Compliance Incentive (OBCI) Program, the transformative approach to promoting regulatory compliance that Commerce launched earlier this year.
- Acting directly on industry suggestions to improve uniformity and efficiency in the review of multi-state corporate finance filings, the Division signed on to a new coordinated review program for Regulation A filings that allow for one-stop filing with a 21-day review turnaround. The Division also recently started accepting Form D notice filings through North American Securities Administrators Association (NASAA) Electronic Filing Depository (EFD) system. The Division’s Registration Section looks forward to expanding customer access to online solutions by deploying the e-filing features of its own Ohio STAR system later this year.
- On the investor protection front, the Division’s Enforcement Section saw indictments and pleas in eight criminal referrals involving fraud ranging from \$50,000 to \$8.7 million. Geographically, over half of these cases originated in the Cincinnati area with at least four schemes orchestrated through religious affinity fraud. The Division also issued dozens of administrative orders and issued an investor alert on the emerging threat of binary option schemes.
- Over 260 Ohio-registered investment advisers participated in a pilot cybersecurity survey conducted by the Division’s Licensing Section in July. Detailed findings can be found on the Division website, but initial reports indicate less than 1 percent of the advisers surveyed have experienced theft, loss, unauthorized exposure, or unauthorized use of or access to confidential information.

(Continued on Page 2)

- The Division has completed the first leg of its five-year rule review process, having analyzed all rules adopted pursuant to the Ohio Securities Act for current regulatory need and business impact. Many thanks to Division Counsel Michael Quinn for spearheading the effort. Proposed rule changes were circulated to stakeholders in October for informal comment; final rule package will be submitted to the Joint Committee on Agency Rule Review (JCARR) shortly.
- In late October, the Division hosted another successful Ohio Securities Conference, drawing more than 125 industry and legal practitioners from across the country. Commerce Director Andre Porter warmed up the crowd at the lovely Renaissance hotel with an inspiring welcome while expert panelists kept attendees informed through the lively debate of hot topics. Division staff also led very productive Advisory Committee Meetings during the lunch hour.
- Last but certainly not least, the Division finally mounted a successful comeback of this publication – yes, the Ohio Securities Bulletin (OSB)– in 2014 by resuming its historical quarterly schedule. Through the great work of our two new co-editors Andrew Howard and Kyle Evans, OSB subscribers will be gaining greater content like a column designed specifically for securities professionals licensed here in Ohio, as well as guest columns to be featured in our next issue.

Working with you, the Division has achieved many great things this year and is incredibly excited about the future. As always, if I can ever be of any assistance, do not hesitate to contact me at Andrea.Seidt@com.ohio.gov.

The 2014 Ohio Attorney General's Law Enforcement Conference was held at the Hyatt Regency in downtown Columbus on October 25-26, 2014. Law enforcement officers and attorneys from across Ohio gathered to hear from speakers on various topics relating to elder abuse, fraud, as well as other areas.



The Ohio Division of Securities had a booth at this event to promote the efforts of the Division in protecting Ohio's investing public through registration, licensing and enforcement under the Ohio Securities Act. The outreach effort was aimed at promoting awareness for law enforcement officers - who are commonly the first line of contact by the public - in identifying securities related fraud for the crime that it is rather than treating it as a civil matter.

The conference discussed many possible securities fraud scenarios, including the most typical: an investor reporting that they invested money with someone and now it is gone. Law enforcement officers often do not see the situation as a theft because the investor voluntarily turned over their money. Many times, the officer informs the investor that it is a civil matter and the person should consult an attorney and file a civil suit.

Sometimes, the officer is correct and no crime was committed (the investor just made a bad investment); however, it is possible the person may have also become a victim of a fraudster selling them opportunities in bogus investments with forged or falsified documents. Law enforcement should be aware of this possibility, and be prepared to advise an investor that in addition to the potential criminal charges their suspect could face, the investor may have other legal remedies available, including civil remedies, and should consult an attorney.

The answer to the above scenario will never be known if the matter is not investigated by law enforcement. While talking to law enforcement officers at the conference about these situations, many stated that they have reacted that way and didn't see that it could be deception and fraud because victims knowingly gave their money to be invested.

Every dollar taken by fraud is an opportunity that is lost to promote business formation and job creation in Ohio. The Division looks for opportunities to protect Ohio investors and support a safer environment for both investors and those in the securities industry who comply with the Ohio Securities Act. The Division's outreach efforts have resulted in requests for speakers, training and workshops to assist local law enforcement officers and prosecutors in better understanding securities regulation.

ADMINISTRATIVE ACTIONS

VAULT OPTIONS

On October 23, 2014, the Division issued a Cease and Desist Order in Division Order No. 14-022 against Vault Options, an internet-based binary options trading platform operating through the website, www.vaultoptions.com. The Division found that Vault Options, based in New York, operates a website owned and managed in Herfordshire, England; and that Vault Options fraudulently induced an elderly Ohio investor to invest \$50,000 by promising a 100% secure investment experience with returns up to 500%. Vault Options failed to respond to the allegations and did not request an administrative hearing.

GEORGE NICHOLAS KRINOS KRINOS HOLDINGS, INC. ET AL.

On October 23, 2014, the Division issued a Notice of Opportunity and Notice of Intent to Issue a Cease and Desist Order against George Nicholas Krinos, Krinos Holdings, Inc. and Krinos Holdings, Inc. d/b/a Krinos Financial Group, Inc., Krinos Financial Group, Ltd., Krinos Investment Group, Inc., Krinos Venture Capital Co., Krinos Wealth Management, Inc. and the Krinos Group.

The Notice Order, issued in Division Order No. 14-025, alleges that the Respondent sold common stock and promissory notes issued by Krinos Holdings, Inc., which provided for returns up to 17%. The Notice Order further alleges that the Respondents misappropriated the investment funds for personal use, acted as unlicensed dealers or salespersons, sold unregistered securities, misrepresented material facts for the purpose of selling securities, and committed securities fraud. The SEC filed an Order Instituting Administrative Cease and Desist Proceedings against George N. Krinos, Krinos Holdings, Inc. and Fordgate Acquisition Group in SEC Order No. 3-16202.

KENNETH F. DUNNAVANT, JR. LAKESIDE FINANCIAL ADVISORS, LLC

On November 6, 2014, the Division issued a Notice of Opportunity for Hearing and a Notice of Intent to Suspend or Revoke the Investment Adviser License of Lakeside Financial Advisors, LLC and the Investment Adviser Representative License of Kenneth F. Dunnavant, Jr., under Division Order No. 14-026. The Notice Order alleges, in part, that the Respondents failed to respond to multiple requests to schedule an on-site examination and failed to update their ADV to provide for a new business address. The Notice Order further alleges that Mr. Dunnavant failed to appear for testimony and failed to produce documents and records required pursuant to a subpoena issued by the Division.

ERIN MENTEL-GAETA MENTEL FINANCIAL SERVICES, LLC

On November 6, 2014, the Division entered an Order Suspending the Ohio Investment Adviser Representative License of Erin Mentel-Gaeta and the Ohio Investment Adviser License of Mentel Financial Services, LLC, with Consent in Division Order No. 14-027. The Order suspended the licenses of the Respondents for twenty days from the date the Order was issued. The Division found that the Respondents failed to respond to a Division deficiency letter for over five months. The Division further found that the Respondents failed to maintain accurate and complete financial records and failed to timely update their CRD record. The Respondents prepared and provided the required financial records to the Division and updated their ADV after the Notice Order was issued in July of 2014.

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To subscribe to the Ohio Securities Bulletin, Email Mike Duchesne at michael.duchesne@com.state.oh.us.

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CRIMINAL MATTERS

JOHN R. BULLAR

On September 23, 2014, John R. Bullar, 52, of Cincinnati, Ohio, pleaded guilty to one count of wire fraud and to one count of money laundering, relative to a fraudulent investment scheme that he ran for 10 years. Bullar faces a maximum of 20 years in prison and a fine of up to \$250,000. This plea was the culmination of a joint investigation conducted by the Ohio Division of Securities, the Ohio Attorney General's Office Bureau of Criminal Identification and Investigation, the Hamilton County Prosecutor's Office, and the Internal Revenue Service--Cincinnati Field Office, with assistance from the U.S. Commodities and Futures Trading Commission.

According to court documents, between 2003 and September of 2013, Bullar devised a scheme to defraud investors by soliciting millions of dollars under false pretenses, failing to invest their funds as promised, misappropriating the funds, and converting the monies for his own benefit without the knowledge or authorization of the investors.

Bullar was the sole owner and operator of Executive Management Advisors, LLC ("EMA"), which had its principal place of business in Cincinnati, Ohio. Bullar marketed himself as someone experienced in the financial services industry and someone that was successful in investing in commodity futures. Bullar did not hold a securities license or a commodities broker license.

To induce current clients to keep investing, Bullar provided investors with quarterly statements purporting to show their account balances. These statements often showed substantial gains over a short period of time. Instead of using investor monies to execute trades, Bullar used their money to support his lavish lifestyle; including significant home renovations, vacations, country club dues, boats, jet skis, sports tickets, and vehicles, among other things.

In total, Bullar's investment scheme involved more than 46 victims who invested over \$8 million.

JANET COMBS

On November 18, 2014, Janet Combs, pastor for The Ark by the River Fellowship Ministry in Cincinnati, entered a plea of no contest in the Hamilton County Court of Common Pleas to one count of receiving stolen property. The plea from Ms. Combs, who was indicted as a co-conspirator with former Rep. Peter Beck (R-Mason), stems from allegations that the defendants funneled millions of dollars in funds from defrauded investors into other accounts, including some maintained by Ms. Combs and The Ark by the River Fellowship Ministry. Her plea

follows Mr. Fussner's guilty plea to two felony counts in this case on April 24, 2014. The crime is a third-degree felony, which is punishable by nine to 36 months in prison and a \$10,000 fine. As part of the plea agreement, \$250,000 in restitution is to be paid to the investor victims.

ROBERT MCMANUS

On November 20, 2014, following a criminal referral by the Ohio Department of Commerce Division of Securities, Robert "Bob" McManus, of West Chester, Ohio, pled guilty in the Butler County Court of Common Pleas to one count of the sale of securities without a license and one count of the sale of unregistered securities, both felonies of the second degree. McManus faces a possible prison sentence of 16 years and a maximum fine of \$30,000. As part of the plea agreement, McManus agreed to pay restitution in the amount of \$2,251,712.26 to 18 investor victims.

Between 2010 and 2011, McManus sold promissory notes issued by North Shore Energy, LLC, an oil and gas drilling company located in Austin, Texas, to 18 investors primarily residing in southwestern Ohio. McManus was the former host of "Safe Money America," a radio talk show broadcast on 700WLW in the Cincinnati area. McManus has not held an active securities salesperson license in Ohio since September 2003.

The sentencing hearing in this case is scheduled for February 17, 2015. The case is being prosecuted by Assistant Prosecutor Dan Ferguson with the Office of Butler County Prosecutor, Michael Gmoser.

STEVEN P. MOORE

MOORE & COMPANY CAPITAL MANAGEMENT, LLC

On October 10, 2014, a Delaware County grand jury indicted Steven P. Moore, of New York City, a former Columbus, Ohio hedge fund manager at Moore & Company Capital Management, LLC, on six felony counts of the second degree, including two counts of theft from an elderly person and four counts of securities fraud. The indictment was filed on October 10, 2014.

The indictment alleges that Moore sold limited partnership interests in the Opportunity Fund, a hedge fund for which Moore & Company Capital Management, LLC was the general partner. The investment in the hedge fund was supposed to be used in the financial markets. It is alleged that the funds were used for purposes other than those presented to the investor. This case is being prosecuted by the office of the Delaware County Prosecutor, Carol O'Brien.

It is 9:00 A.M. on any given Thursday in the Enforcement Section of the Division. The first thing on the agenda this morning is to visit Edith, an 87 year old retired schoolteacher whose husband has dementia. Edith has been reviewing their financial position and has identified several investments she does not understand. After talking with her daughter, Edith thinks her investment adviser representative's advice to her husband caused him to buy unsuitable, illiquid, and high risk securities. The family has been trying to make sense of their documents and her husband's cognitive impairment prevents him from recalling what the investment adviser told him or why he invested in these securities. A case beginning with a complaint such as this one could have far reaching consequences for the investment advisor representative, including license suspension and, potentially, even criminal charges. There are several practices a licensee can implement which can help protect both the senior investor, and the licensee, from circumstances such as this one.

SUITABILITY

One of the most common complaints to the Division involving senior investors is suitability. Investment adviser representatives owe a fiduciary duty to their clients. Registered representatives can only sell, purchase, or make recommendations about buying or selling a security if they have done a reasonable inquiry into the relevant information concerning the investment objectives, financial situation, and other needs of the client.¹ For both types of licensees, this certainly requires an inquiry into factors including, but not limited to: liquidity needs, risk tolerance, age at investment, age at maturation of the security, and withdrawal fees.² Many complaints involving these factors surface at the Division. The best way to prevent these complaints, in addition to ensuring the investment is actually suitable, is to provide clear explanations to the client of material terms and diligent documentation.

A best practices approach includes specifically documenting the relevant factors with an explanation of how each product accomplishes or accounts for the senior's needs. Analysis of this type is often absent from client files and contributes to both client and licensee confusion as time passes. This documentation is especially pertinent on factors that affect many senior investors acutely, such as the product being high risk, having low liquidity, or having an extended payout date.

In general, most firms and products already require the client's signature acknowledging understanding of material facts and that they have read the material. A best practice would also include getting a written record of the client's understanding of as many individual material terms that are explained in layman's language as possible. This is especially true in cases where a product may have a characteristic that could make it seem unsuitable, such as a ten year payout date for a client who is 85 years old. There are several procedures a licensee can implement that accomplish this goal. A best practices approach relies not only on the disclosures made in the offering or investment material, but also on short, clear distillations of the material in a way that the client can understand.

Too often, senior investors complain that licensees hand them an inch-thick stack of offering material, or other technically written investment documents, and tell them to read it with little explanation from the licensee. While there is no question the client should read the material, this practice is ripe for misunderstanding and potential damage to the client. The licensee could condense the main topics of the advice given, or the most pertinent material terms of an offering, in an overall summary sheet. Specific terms such as liquidity, rate of return, and licensee compensation should be explained as clearly as possible and individually acknowledged by the client. Another option would be to highlight particularly relevant sections of the offering material and have the client individually acknowledge each one with an initial or signature. A copy can then be made for the files of both the licensee and the client.

Follow up letters can be another highly effective method to document client meetings. The letter should summarize the advice given and the client's decisions. The licensee should take the time to summarize the particular material terms that contributed to the investment decision, both good and bad. Client requests should also be noted, especially if they resulted in an unusual investment. This extra effort ensures the client is fully briefed on the material terms, but also serves as later evidence of what was actually discussed. This documentation can also help prevent claims that the licensee made disclosures that are at odds with the offering material. In Edith's case, finding such letters would have helped her understand the decisions her husband made and possibly stopped a complaint before it was filed.

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¹OHIO ADMIN. CODE 1301:6-3-19 (2007).

²See *FINRA Reminds Firms of Their Obligations Relating to Senior Investors and Highlights Industry Practices to Serve These Customers*, Financial Industry Regulatory Authority, Regulatory Notice 07-43 (Sept. 2007), available at <http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p036816.pdf>. (This notice provides excellent guidance into FINRA expectations, as well as more detailed explanations of these and other best practice tips.)

PLAN FOR MEMORY ISSUES

It is no secret we lose memory as we age. In a recent study, the Center for Disease Control found as many as 19% of people over the age of 50 have some form of cognitive impairment, with age as the highest risk factor.³ As clients age, a licensee should affirmatively plan for the possibility a senior client will begin to experience cognitive impairment. At first, discussing the subject of declining cognitive ability with a client seems like a difficult subject to broach, especially in the context of a sales meeting. However, the licensee is typically already discussing personal circumstances and life goals in the context of determining suitability. The licensee should encourage a frank discussion of the possibility of cognitive impairment with the senior investor. Planning ahead can pay dividends in that it is excellent customer service to the client, protects the senior investor, and can help prevent complaints against the licensee if and when cognitive impairment sets in.

One way to do this is to suggest a third person, such as a trusted family member, sit in on financial meetings. This can provide the senior investor with an additional level of assurance that they are getting the proper assistance from the licensee. If the licensee chooses to have the client reflect advice, this person can serve as a witness. If having a

family member present for these meetings is not possible, another way to help the senior client is to suggest investment decisions be reviewed by another professional, such as another licensee, accountant, or attorney. If Edith, or Edith's daughter, had been present at meetings between the investment advisor representative and Edith's husband, the confusion they experienced might have been averted. No licensee wants to be accused of taking advantage of a senior investor, or worse, to actually place a senior client in an unsuitable investment.

LEGAL REFERRALS

While most licensees are not attorneys and do not give legal advice, they may be in a prime position to identify clients who need legal services. Legal tools, such as a power of attorney or a revocable trust, can help protect the senior investor, and the licensee, by making sure all decisions about the client's portfolio are made without the effects of cognitive impairment. A licensee could easily suggest to senior investor clients that they may want to see an attorney for estate planning purposes while discussing their client's long term investment goals. Having these types of legal tools in place can ensure senior clients are in the best position to invest prudently, and intelligently, without claims the licensee took advantage of them.

³ *Cognitive Impairment: A Call for Action, Now!*, U.S. Department of Health and Human Services, Centers for Disease Control and Prevention (Feb. 2011), http://www.cdc.gov/aging/pdf/cognitive_impairment/cogImp_policy_final.pdf.

2014 OHIO SECURITIES CONFERENCE

The Division hosted the 2014 Ohio Securities Conference at the Renaissance Columbus hotel on Friday, October 31, with more than 125 conference guests attending from across the country. The program opened with a warm welcome from Ohio Department of Commerce Director Andre Porter and followed with four panel discussions focused on securities litigation, FINRA expungement, alternative investments, and an Ohio regulatory update presented by the Division's management team.

The Division wishes to thank its conference co-sponsor – University of Toledo College of Law – and esteemed UT Law Professor Eric C. Chafee for making the event possible. The conference was a huge success due to a tremendous mix of industry, regulatory, and scholarly perspectives represented by the following speakers: Ohio State University Moritz College of Law Professor Paul Rose; Thomas E. Geyer, partner at the law firm Bailey Cavalieri, LLC; Kenneth L. Andrighik, Director of Mediation and Strategy from FINRA; Hugh Berkson, President-Elect of the Public Investors Arbitrators Arbitration Bar Association (PIABA); Joseph S. Simms, counsel at the law firm Ulmer & Berne LLP; Peter Mougey, partner at Levin Papantonio Thomas Mitchell Rafferty & Proctor, PA; and Matthew Malone, Vice President of Due Diligence with of Franklin Square Capital Partners.



Each quarter, in this section of the Bulletin, the Licensing and Examination (“L & E”) Section of the Division will cover timely and important topics impacting our licensees. The goal is to cover a wide-range of issues –from “A to Z” – that are of greatest interest to you so we welcome your suggestions for future topics.

Q & A



L & E receives numerous calls from industry and compliance professionals inquiring into the Ohio rules, laws, and policies that affect their practice. Each quarter, we will discuss common questions we receive.

Q. *What are the Division’s fingerprinting requirements for Investment Adviser Representatives (IARs)?*

A. In Ohio, all applicants for an IAR license must submit fingerprints to the Division, unless he or she has filed a fingerprint card with FINRA or the CRD system in connection with a previous approval. Ohio does not require re-printing once an applicant has already been approved by the Division and the CRD shows that prints have been submitted.

If an IAR applicant does not have fingerprints on file, and they...

Reside in Ohio - The applicant must have “BCI” fingerprinting completed at a WebCheck location. For a directory of Webcheck locations visit: <http://www.ohioattorneygeneral.gov/Business-and-Non-Profits/Business/Webcheck/Webcheck-Community-Listing>

The prints will be sent to and processed by the Ohio Attorney General’s Bureau of Criminal Investigation (BCI). BCI then sends the results directly to the Division of Securities.

Reside outside the state of Ohio – The applicant must contact our office and request a proper fingerprint card be mailed to them with instructions. This request can be made by email to Kelly.Igoe@com.state.oh.us or by phone to (614) 644-6296.

If you are ever in doubt if fingerprints are needed, please contact the Division’s Licensing Section at 614-644-6296 to confirm.

FINRA MEMBER UPDATES

BARGAINED-FOR EXPUNGEMENT RELIEF PROHIBITED

Effective July 30, 2014, FINRA Rule 2081 expressly prohibits FINRA member firms and their associated persons from conditioning or seeking to condition the settlement of a customer dispute on the customer’s agreement not to oppose the associated person’s request to expunge the dispute from his or her record in the Central Registration Depository (“CRD”). Rule 2081 applies to both written and oral agreements, and applies to any settlement involving a customer dispute, not just those related to arbitration claims. For additional information, see FINRA Regulatory Notice 14-31 available at www.finra.org.

INDIVIDUALS CAN NOW ACCESS THEIR OWN SNAPSHOT REPORTS ONLINE

Effective September 25, 2014, individuals who are or have been registered as a broker or investment adviser representative may access their own registration and licensing information by obtaining a “Snapshot” report through FINRA’s website. A “Snapshot” report contains information reported on a person’s record via Forms U4, U5, and U6. This reporting is more comprehensive than what is publicly available on FINRA’s BrokerCheck and the SEC’s Investment Adviser Public Disclosure (IAPD) systems. Prior to this release, individuals were able to access Snapshot reports only via written request to FINRA or state regulators. FINRA now provides a secure mechanism for individuals to obtain this information by completing a few simple steps online. Click on the following link for more details: <http://www.finra.org/industry/compliance/registration/crd/p011120>.

THE OHIO DIVISION OF SECURITIES IS COMMITTED TO ASSISTING OHIO’S VETERANS

If you are a veteran and are applying for an Investment Advisor Representative License or a Security Salesperson License and need assistance, please contact Kelly Igoe at (614) 644-6296 or Kelly.Igoe@com.state.oh.us.

PRE-LICENSING EXAMINATIONS

Beginning in 2009, the Division commenced its Investment Adviser Pre-Licensing Examination Program. Pre-licensing exams assist the Division in assessing an applicant’s “business repute and qualifications to act as an investment adviser,” in accordance with Revised Code 1707.151(B). This examination program is considered a “desk exam,” and is managed by Securities Specialist Kevin Armstrong. These exams begin when an Ohio-domiciled adviser files their Form ADV with the Division requesting state licensure.¹ The Division then requests that the applicant submit the following additional records and other information, electronically, to the examiner for review:

- Copies of all investment advisory contracts the firm intends to use;
- A list of all branch offices the firm intends to have upon starting its business;
- A list of all employees and their duties;
- A copy of the firm’s compliance manual;
- Copies of business cards for each investment adviser representative of the firm;
- Copies of any solicitor agreements;
- Information regarding how the adviser: (1) will document the required annual review of the compliance manual; (2) will comply with the financial record requirements; and (3) will comply with the five year record retention requirements.

The process is then an exchange of information back-and-forth between the Division and the applicant, to resolve any issues with the documents or information presented. Common deficiencies arise when an applicant’s Form ADV Part 1 is inconsistent with their Form ADV Part 2, or when an applicant’s compliance manual has not addressed policies for business continuity and succession planning.

The goals of the Division’s Pre-Licensing Examination Program are to encourage advisers to become familiar with the Ohio Securities Act’s books and records requirements *prior to* approval and to help advisers experience a successful and compliant start to their business once approved.

Number of Pre-Licensing Exams Completed	
January 1 through December 31, 2013	47
January 1, 2014 to November 30, 2014	52

STATE LICENSEE UPDATES

***Introducing: Kevin Armstrong
Securities Specialist, Examinations***

Kevin Armstrong has served as a Security Specialist for the Division for more than five years. In addition to his daily duties examining state-licensed Investment Advisers and Broker Dealers branch offices, he also administers the Pre-Licensing Exam Program.

Kevin has over 19 years of industry experience, including passing the FINRA Series 6, 7, and 63 exams. His industry experience began with Fidelity Investments where he was responsible for the interest rate swaps accounting.

Prior to joining the Division, Kevin assisted legal counsel in preparing offering documents for municipal bond issues. Kevin earned his BA in Economics from The Ohio State University and his MBA from Xavier University.

The Division is fortunate to have Kevin Armstrong as an integral part of our Examination team.

¹The Division does not routinely conduct Pre-Licensing Examinations of out-of-state applicants, as they are primarily regulated by the securities regulator in their home state jurisdiction.

**A PILOT SURVEY TO
COMPILE CYBERSECURITY INFORMATION**

In June 2014, the Ohio Division of Securities participated in the North American Securities Administrators Association’s (“NASAA”) pilot cybersecurity project. For this project, NASAA worked with state securities regulators to utilize a template survey sent to state-licensed investment advisers in order to elicit information about the technology and data practices of that registrant population. A compilation of results of Ohio’s survey can be found at:

http://www.com.ohio.gov/documents/sec_CybersecurityPracticesOhioInvestmentAdvisers.pdf

For its effort, the Ohio Division of Securities surveyed over 500 Ohio-domiciled, state-licensed investment advisers, and received 266 responses. The Division thanks our investment adviser community for dedicating their time and insight to provide thorough, thoughtful, and timely responses. The Division also thanks NASAA for its support in conducting and compiling this important survey.

Ohio Pilot Project Survey Results:

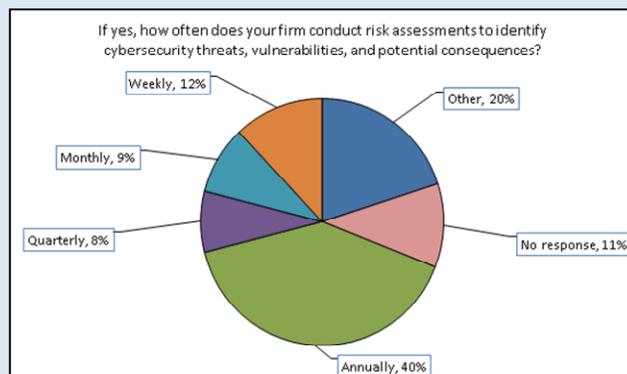
- Only 3% of responding firms indicated that they had experienced a cybersecurity incident and even fewer, less than 1%, indicated that they had experienced theft, loss, unauthorized exposure, or unauthorized use of or access to confidential information.
- The majority of responding firms (87%) use computers, tablets, smartphones, or other electronic devices to access client information.
- 88.9% of responding firms use e-mail to contact clients. Only 54% of those firms, however, use secure e-mail.
- Of those that use e-mail to contact clients, 45% of responding firms have procedures in place to authenticate instructions received from their clients electronically.
- 62% of responding firms report undergoing a cybersecurity risk assessment. The frequency of these assessments varied widely.

Less than half of responding firms (40%) report having policies and procedures or training in place related to cyberse-

curity. Similarly, 44% of responding firms report having policies and procedures or training related to the disposal of electronic data storage devices. Only one third of reporting firms (32%) have policies, procedures, or training programs designed to detect unauthorized activity on their networks or devices.

The Division is currently completing a comprehensive review of the survey results. Next steps will be to identify and analyze some “best practices” in the areas of: (1) identifying overall cybersecurity risks; (2) protecting networks and information; (3) addressing remote customer and employee access and funds transfer requests; (4) addressing risks associated with vendors and other third parties; (5) identifying cost-effective methods and tools for detecting unauthorized activity; and (6) employee training. The Division’s goal is to issue recommendations and guidance in this area, to assist licensees with addressing the very serious risks associated with cybersecurity attacks.

**Risk Assessments Related to Cybersecurity
& Frequency Risk Assessments**



What defines money? To be of value as a currency, “money” must be both an accepted medium of exchange and a reasonably stable store of value. There is some disagreement whether Bitcoin has the type of stability that defines a reliable currency, given both the volatility and the lack of support characteristics of government backed currencies as well as hard commodities, such as gold.¹ Whether the arguments supporting or refuting the viability of Bitcoin as a mainstream currency may develop over time, it is evident that Bitcoin’s increased acceptance has engendered situations that at least raise the question whether some form of regulation is required.²

The banking and securities regulations relating to currency all focus, intentionally or presumptively, on the currency produced and supported by a governmental entity, “sovereign currency.” Because Bitcoin is decentralized, however, it does not fall within the usual regulatory schemes for currency. Various governmental entities examining the issues associated with virtual currency have begun to impose regulatory requirements directed specifically to virtual currency, including Bitcoin. These pronouncements have, generally, taken the form of determining if, and how, Bitcoin meets existing statutory structures. Whether regulation is a good direction for the emerging virtual currency is a matter of some debate. Some argue that the imposition of regulation will bring legitimacy, stability, and consumer protection to the arena.³ Passionate arguments are being made that Bitcoin should be banned,⁴ while others argue against any form of Bitcoin prohibition or regulation.⁵

In February 2014, Federal Reserve Board Chair Janet Yellen, testifying before the Senate Banking Committee, stated “Bitcoin is a payment innovation that’s taking place outside the banking industry. To the best of my knowledge there’s no intersection at all, in any way, between Bitcoin and banks that the Federal Reserve has the ability to supervise and regulate. So the Fed doesn’t have authority to supervise or regulate Bitcoin in anyway.”⁶

In March 2013, the Financial Crimes Enforcement Network (FinCEN) issued an interpretive guidance on regulation to persons administering, exchanging or using virtual currencies, determining that certain activities were money transmissions and that the laws that govern



money transmitters apply.⁷ FinCEN included miners of Bitcoins as subject to registration if not mined for their own purposes, although not American holders of Bitcoins when used as currency. Since that March 2013 guidance, FinCEN has issued guidance three more times, describing the applicability of the Bank Secrecy Act.⁸

Perhaps the first formal state action relating to Bitcoin came in June 2013 when California’s Department of Financial Institutions accused the Bitcoin Foundation of unlicensed money transmissions.⁹ Bitcoin Foundation’s response denied acting as a money transmitter.¹⁰ On April 3, 2014, the Texas Department of Banking released a supervisory memorandum (#1037) discussing the regulatory treatment of virtual currencies under the Texas Money Services Act and determined that, while cryptocurrency currently cannot be considered money, the exchange of cryptocurrency for sovereign currency through a third party exchanger is generally money transmission.¹¹ Shortly thereafter, the Conference of State Bank Supervisors and the North American Securities Administrators Association issued a “Model State Consumer and Investor Guidance on Virtual Currency.”¹² In February 2014, Florida arrested Bitcoin traders on money-laundering charges.¹³

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¹Paul Krugman, *Bitcoin is Evil*, THE CONSCIENCE OF A LIBERAL (Dec. 28, 2013, 2:35 PM), http://krugman.blogs.nytimes.com/2013/12/28/bitcoin-is-evil/?_php=true&_type=blogs&_r=0; see also Jon Matonis, *Bitcoin Foundation Receives Cease and Desist Order from California*, FORBES, (June 23, 2013, 11:11 AM), <http://www.forbes.com/sites/jonmatonis/2013/06/23/bitcoin-foundation-receives-cease-and-desist-order-from-california/>.

²Adrienne Lu, *Why States Want a Bite of Bitcoin and Other Virtual Currencies*, THE FISCAL TIMES, <http://www.thefiscaltimes.com/Articles/2014/07/28/Why-States-Want-Bite-Bitcoin-and-Other-Virtual-Currencies>, (last visited Sept. 9, 2014).

³See Robert Powell, *Regulators Line Up to Crack Down on Bitcoin*, MARKET WATCH (Apr. 9, 2014, 12:01 AM), <http://www.marketwatch.com/story/regulators-line-up-to-crack-down-on-bitcoin-2014-04-09>; see also NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES, (August 12, 2013) Notice of Inquiry on Virtual Currencies, available at <http://www.dfs.ny.gov/about/press2013/memo1308121.pdf>.

⁴Devin Coldewey, *Senator Calls for Total Ban of “Dangerous” Bitcoin*, NBC NEWS (Feb. 26, 2014, 4:45 PM), <http://www.nbcnews.com/tech/innovation/senator-calls-total-ban-dangerous-bitcoin-n39541>.

⁵Jon Matonis, *Government Ban on Bitcoin Would Fail Miserably*, FORBES (Jan. 28, 2013, 9:39 AM), <http://www.forbes.com/sites/jonmatonis/2013/01/28/government-ban-on-bitcoin-would-fail-miserably/>; see also Pat Garofalo, *Don’t Regulate Bitcoins . . . Yet*, US NEWS AND WORLD REPORT (March 5, 2014, 8:37 AM), <http://www.usnews.com/opinion/blogs/pat-garofalo/2014/03/04/dont-regulate-or-ban-bitcoins-yet>.

⁶Janet Yellen, *Federal Reserve Has No Authority to Regulate Bitcoin*, THE GUARDIAN (Feb. 27, 2014, 1:11 PM), <http://www.theguardian.com/business/2014/feb/27/janet-yellen-federal-reserve-no-authority-regulate-bitcoin>.

⁷United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2013-G001: *Application of FinCEN’s Regulations to Persons Administering, Exchanging, or Using Virtual Currencies* (March 18, 2013), available at http://fincen.gov/statutes_regs/guidance/html/FIN-2013-G001.html.

⁸United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-R001: *Application of FinCEN’s Regulations to Virtual Currency Mining Operations* (Jan. 30, 2014) available at http://www.fincen.gov/news_room/rp/rulings/pdf/FIN-2014-R001.pdf; United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-R002: *Application of FinCEN’s Regulations to Virtual Currency Software Development and Certain Investment Activity* (Jan. 30, 2014) available at http://www.fincen.gov/news_room/rp/rulings/pdf/FIN-2014-R002.pdf; United States Department of the Treasury Financial Crimes Enforcement Network, FIN-2014-R007: *Application of Money Services Business Regulations to the Rental of Computer Systems for Mining Virtual Currencies* (April 29, 2014) available at http://www.fincen.gov/news_room/rp/rulings/pdf/FIN-2014-R007.pdf.

⁹Matonis, *supra* note 1.

¹⁰Bitcoin Foundation Response to California DFI, (July 1, 2013), available at <http://www.scribd.com/doc/151346841/Bitcoin-Foundation-Response-to-California-DFI>.

¹¹Texas Department of Banking, Supervisory Memo 1037 (April 3, 2014), *Regulatory Treatment of Virtual Currencies under the Texas Money Services Act*, available at <http://www.dob.texas.gov/public/uploads/files/consumer-information/sm1037.pdf>.

¹²Conference of State Bank Supervisors (April 23, 2014), *Model State Consumer and Investor Guidance on Virtual Currency*, available at <http://www.csbs.org/legislative/testimony/Documents/ModelConsumerGuidance--Virtual%20Currencies.pdf>.

¹³Russell Brandon, *Three Bitcoin Traders Arrested in Florida on Money-laundering Charges*, THE VERGE (Feb. 7, 2014, 3:50 PM), <http://www.theverge.com/2014/2/7/5390782/three-bitcoin-traders-arrested-in-florida-on-money-laundering-charges>.

California again entered the fray when, in late June 2014, the state's governor signed Assembly Bill 129, designed to change California's existing prohibition of the use of any currency other than money of the United States and permit the use of virtual currencies.¹⁴ Whether the legislature succeeded is open to debate, but it is of note that any regulation of virtual currencies was left to another day.¹⁵

On March 25, 2014, the IRS ruled that Bitcoins will be taxed as property, rather than as currency.¹⁶ Wages will be taxable and reportable. The nature of gain or loss from the exchange or the sale of any virtual currency depends on whether it is a capital asset (like stocks and bonds) recognizing capital gain or loss. If, in contrast, it is held mainly for sale to customers, ordinary gain or loss would be reported.

Government Accountability Office ("GAO") released a report, dated May 2014, titled "Virtual Currencies: Emerging Regulatory, Law Enforcement, and Consumer Protection Challenges."¹⁷ The GAO report examined the steps taken by various federal agencies and their respective regulatory authority over virtual currencies. The GAO's conclusion was that the Consumer Financial Protection Bureau needed to be more involved with other regulatory agencies in order to afford the consumer protection necessary in the Bitcoin arena. There was no recommendation on how, or even if, Bitcoin should be regulated. It's also worth noting that in October 2014, the U.S. Commodity Futures Trading Commission ("CFTC") held a webcast to discuss virtual currencies and the potentially disruptive effect on the derivatives markets,¹⁸ and at least one Commissioner

believes the CFTC has authority over Bitcoin as a commodity.¹⁹

In what may be the most significant regulatory development, the Department of Financial Services of New York ("DFS NY"), which regulates both banking and insurance, issued a Notice of Inquiry on Virtual Currencies on August 12, 2013.²⁰ The Notice stated that the Department had launched an inquiry into the appropriate regulatory guidelines it should put in place for virtual currencies, putting the virtual currency community on notice that specific regulations for virtual currencies will be considered. In late January 2014, the DFS NY held public hearings regarding virtual currencies. As a result of those hearings, on July 17, 2014, DFS NY issued proposed regulations on businesses that receive, exchange, transmit or store virtual currency for customers.²¹ The proposed "BitLicense" is also required for those that buy and sell virtual currencies as a business and requires an application to the DFS NY, compliance officers, and capital requirements.²² There are also additional requirements for custody, books and records, and ongoing reporting.²³ As might be expected, the regulations are based upon models familiar to the financial services industry. The proposed regulations were officially published in the New York State Register on July 23, 2014, beginning a 45-day comment period.²⁴ Due to requests received and the unique nature of the regulations, the comment period was extended an additional 45 days, to October 21, 2014.²⁵ As of November 3, 2014, responding to a significant number of comments received in the last few days of the comment period,²⁴ the DFS NY indicated that a "transitional BitLicense" for startups may be created.²⁶

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¹⁴California Assembly Bill No. 129, Chapter 74 (June 28, 2014), available at http://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB129; see also California Corporations Code § 107, available at <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=corp&group=00001-01000&file=100-195>.

¹⁵Kenneth Russak, *Bitcoin Bill Beggars Questions*, EE TIMES (Aug. 26, 2014, 1:00 AM), http://www.eetimes.com/author.asp?section_id=36&doc_id=1323647.

¹⁶INTERNAL REVENUE SERVICE, Notice 2014-21, available at <http://www.irs.gov/pub/irs-drop/n-14-21.pdf>.

¹⁷United States Government Accountability Office, Report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate, *Virtual Currencies: Emerging Regulatory, Law Enforcement, and Consumer Protection Challenges* (May 29, 2014), <http://www.gao.gov/assets/670/663678.pdf> (highlights and podcast available at <http://www.gao.gov/products/GAO-14-496>).

¹⁸Katherine Fletcher, *CFTC's Mark Wetjen on Regulation and Bitcoin*, COIN REPORT (Nov. 06, 2014), <http://www.curlly.com/s/fd33266/>.

¹⁹Michael J. Casey, *CFTC Commissioner Says Agency Has Authority Over Bitcoin Price Manipulation: Mark P. Wetjen Says Virtual Currency Classifies as a Commodity*, THE WALL STREET JOURNAL (Nov. 17, 2014, 5:56 PM), <http://www.wsj.com/articles/cftc-commissioner-says-agency-has-authority-over-bitcoin-price-manipulation-1416265016>.

²⁰NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES, *supra* note 3.

²¹Id.

²²Id.

²³NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES, Proposed New York Codes, Rules and Regulations, Title 23. Department of Financial Services, Chapter I. Regulations of the Superintendent of Financial Services, Part 200. Virtual Currencies (October 20, 2014), available at <http://www.dfs.ny.gov/about/press2014/pr1407171-vc.pdf>.

²⁴NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES, *supra* note 3.

²⁵*BitLicense Comment Period Extended*, BITDAILY, <http://www.bitdaily.com/news/bitlicense-comment-period-extended-dfsnygov/legalvcrfsubmitcom>.

²⁶Michael J. Casey, *NY Financial Service Regulator Proposes Lighter "Transitional" BitLicense*, THE WALL STREET JOURNAL (Nov. 3, 2014, 9:13 AM), <http://www.wsj.com/articles/ny-financial-service-regulator-proposes-lighter-transitional-bitlicense-1415024016?tesla=y&mg=reno64-wsj>.

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The provision of a Canadian budget law, which received royal assent, amended the country's anti-money laundering and counter-terrorist financing laws to, among other things, regulate virtual currencies. It makes digital currencies subject to the same reporting requirements as other money-services businesses.²⁷ On our border to the south, Mexico reportedly issued a prohibition to its banks to not deal directly in Bitcoins.²⁸

In March 2014, the Japanese government stated that it does not consider Bitcoin to be a currency and that it would be treated like other commodities and services.²⁹ Sales of Bitcoin and sales using Bitcoin in Japan would be subject to sales tax. Since that time, Japan's ruling party has decided to scrap plans to impose specific regulations on Bitcoin, at least for now.³⁰

China, perhaps the leading country that has established specific prohibitions against the use of Bitcoins within its boundaries, has prohibited its financial institutions from dealing in Bitcoins.³¹ In an effort to understand how different countries are dealing with virtual currencies, the Law Library of Congress published a report in January 2014, titled Regulation of Bitcoin in Selected Jurisdictions.³² Since that time, other jurisdictions have been added and the report has been updated.³³ In the words of the update: even though there is widespread concern about criminal misuse and questions about taxation, "overall, the findings of this report reveal that the debate over how to deal with this new virtual currency is still in its infancy."³⁴

SECURITIES RELATED ACTIVITY

In July 2013, the SEC instituted a suit against Trendon T. Shavers and his unregistered fund, Bitcoin Savings & Trust.³⁵ The SEC charged that Shavers made a number of solicitations aimed at enticing lenders to invest in Bitcoin-related investment opportunities.³⁶ On August 6, 2013, the U.S. District Court, Eastern District of Texas, ruled that the SEC had jurisdiction to pursue the case because Bitcoin was money under

the *Howey* investment contract test, rejecting arguments that the SEC lacked subject matter jurisdiction to pursue the action against Shavers.³⁷ In September 2014, Shavers was ordered to pay back over \$40 million to investors.³⁸

The Winklevoss Bitcoin Trust S-1 registration statement was filed with the SEC July 1, 2013, to create an exchange-traded fund. Under the fund, each share would represent a Bitcoin held by the trust. As of December 2014, the trust is still waiting to go effective.³⁹ Established as a privately-traded fund, Second Market Holdings, Inc. created Bitcoin Investment Trust September 2013 to offer accredited investors exposure to Bitcoin without direct ownership.⁴⁰ As of July 2014, the fund reported that it had raised about \$70 million.⁴¹

CONCLUSION

Virtual currency is an ongoing and developing area, both as a commercial enterprise and as an arena ripe for regulatory response. By the time this article is published the landscape will likely have changed, yet again.

The risks attendant with Bitcoin, either as an investment or as a medium of exchange, have been discussed by virtually every regulator in the financial sector⁴² as well as observers.⁴³ Bitcoin has seen many bubbles during its brief history. There are views on both sides of the question whether Bitcoin, or any virtual currency, will become a permanent or prominent fixture in the economic landscape.

In the Dutch Golden Age, the contract prices for bulbs of the recently introduced tulip reached extraordinarily high levels and then suddenly collapsed. In March 1637, some single tulip bulbs reportedly sold for as much as the annual income of a wealthy merchant wife shortly thereafter that same bulb might have been traded for an onion. That event has been come to be called Tulip Mania.⁴⁴

Those who cannot remember the past are condemned to repeat it.⁴⁵

²⁷Sanuel Rubinfeld, *Canada Enacts Bitcoin Regulations*, THE WALL STREET JOURNAL RISK & COMPLIANCE JOURNAL (June 23, 2014, 6:41 PM), <http://blogs.wsj.com/riskandcompliance/2014/06/23/canada-enacts-bitcoin-regulations/>.

²⁸Daniel Palmer, *Bank of Mexico Restricts Banks from Bitcoin Use, Reports Suggest*, COINDESK (March 12, 2014, 7:32 PM), <http://www.coindesk.com/bank-mexico-restricts-banks-bitcoin-reports-suggest/>; see also Eric Calouro, *Mexico's Central Bank Issues Bitcoin Advisory, Bars Its Use by Financial Institutions*, NEWS BTC (March 12, 2014, 4:08 PM), <http://newsbtc.com/2014/03/12/mexicos-central-bank-issues-bitcoin-advisory-bars-use-financial-institutions/>.

²⁹Monami Yui, Takahiko Hyuga, *Japan Says Bitcoin Not Currency Amid Calls for Regulation*, BLOOMBERG (March 7, 2014, 12:13 AM), <http://www.bloomberg.com/news/2014-03-07/japan-says-bitcoin-is-not-a-currency-amid-calls-for-regulation.html>.

³⁰Nermin Hajdarbegovic, *Japan Decides Against Bitcoin Regulation, for Now*, CoinDesk (June 19, 2014, 12:49 PM), <http://www.coindesk.com/japan-decides-bitcoin-regulation-now/>.

³¹*Regulation of Bitcoin in Selected Jurisdictions*, page 6, THE LAW LIBRARY OF CONGRESS, GLOBAL RESEARCH CENTER, (January 2014) available at <http://www.loc.gov/law/help/bitcoin-survey/regulation-of-bitcoin.pdf>.

³²Id. at page 1.

³³*Regulation of Bitcoin in Selected Jurisdictions*, page 6, THE LAW LIBRARY OF CONGRESS, GLOBAL RESEARCH CENTER, (updates available at http://www.loc.gov/law/help/bitcoin-survey/?locl=bloglaw#skip_menu).

³⁴Id.

³⁵*SEC Charges Texas Man with Running Bitcoin-Denominated Ponzi Scheme*, U.S. SECURITIES AND EXCHANGE COMMISSION (July 23, 2013), available at <http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370539730583>.

³⁶Complaint, SEC v. Shavers, 2013 U.S. Dist. LEXIS 110018, available at <http://www.sec.gov/litigation/complaints/2013/comp-pr2013-132.pdf>.

³⁷SEC v. Shavers, 2013 U.S. Dist. LEXIS 110018, Fed. Sec. L. Rep. (CCH) P97, 596, 2013 WL 4028182 (E.D. Tex. Aug. 6, 2013), summary judgment granted at SEC v. Shavers, 2014 U.S. Dist. LEXIS 130781 (E.D. Tex., Sept. 18, 2014).

³⁸SEC v. Shavers, 2014 U.S. Dist. LEXIS 130781 (E.D. Tex., Sept. 18, 2014), see also Jacob Kastrenakes, *Bitcoin Ponzi Scheme Operator Ordered to Pay Over \$40 Million*, THE VERGE (September 19, 2014, 2:24 PM), <http://www.theverge.com/2014/9/19/6546239/bitcoin-ponzi-scheme-ordered-to-pay-over-40-million-in/3709249>.

³⁹Winklevoss Bitcoin Trust, *United States Securities and Exchange Commission, Amendment No. 2 to Form S-1 Registration Statement Under The Securities Act of 1933* (February 19, 2014), available at <http://www.sec.gov/Archives/edgar/data/1579346/000119312514058712/d562329ds1a.htm>.

⁴⁰BITCOIN INVESTMENT TRUST, <https://www.secondmarket.com/company/bitcoin-investment-trust?sessionid=hg21hv4wdndwv3og8cx8y2kv33du.hg2> (last visited Sept. 10, 2014).

⁴¹Rob Curran, *With a Bitcoin ETF, Risk Isn't Virtual*, The Wall Street Journal (Sept. 7, 2014, 4:01 PM), <http://online.wsj.com/articles/with-a-bitcoin-etf-risk-isn-t-virtual-1410120108>.

⁴²Quentin Fottrell, *Why It's Easier to Rob Bitcoins than Banks*, MARKETWATCH (Aug. 11, 2014, 2:14 PM), <http://www.marketwatch.com/story/why-its-easier-to-rob-bitcoins-than-banks-2014-08-11>; *Risks to Consumers Posed by Virtual Currencies*, Consumer Financial Protection Bureau, available at http://files.consumerfinance.gov/f/201408_cfpb_consumer-advisory_virtual-currencies.pdf; *Informed Investor Advisory: Virtual Currency, Are you an Informed Investor? What's in Your E-Wallet?*, North American Securities Administrators Association, available at <http://www.nasaa.org/30631/informed-investor-advisory-virtual-currency/>.

⁴³Mark Anderson, *The Future of Bitcoin in a Volatile World*, Seattle News Online (Jan. 3, 2014), (<http://crosscut.com/2014/01/03/business/118135/future-bitcoin-volatile-world/?page=2>).

⁴⁴Andrew Beattie, *Market Crashes: The Tulip and Bulb Craze*, Investopedia, <http://www.investopedia.com/features/crashes/crashes2.asp>; see also Mike Dash, TULIPOMANIA: THE STORY OF THE WORLD'S MOST COVETED FLOWER & THE EXTRAORDINARY PASSIONS IT AROUSED, (Broadway Books, Jan. 30, 2001).

⁴⁵George Santayana, THE LIFE OF REASON, VOL. 1, REASON IN COMMON SENSE (Dover Publications, Inc., 1906), available at <http://www.gutenberg.org/files/15000/15000-h/vol1.html>