



Gen Z Turns to Finfluencers for Investment Advice According to BaFin Study

On 16 October 2024, Germany's Federal Financial Supervisory Authority (**BaFin**) published a report examining the growing influence of financial influencers—or “finfluencers”—on investment decisions among adults aged 18 to 45. The study sheds light on how younger generations increasingly rely on social media for financial advice, particularly in relation to crypto assets and equities, and explores the associated risks and trends.

The study, conducted in May 2024, surveyed 1,000 individuals aged 18–45 who had invested in the past two years. It revealed that social media platforms like YouTube and Instagram are now major sources of financial information, with more than half of respondents viewing them as reliable. Interestingly, 60 per cent considered social media a viable alternative to traditional financial advice. Those who use social media to research investments were found to diversify their portfolios more, with a marked preference for equities and crypto assets, in comparison to non-users.

The report highlights a generational divide in investment behaviour. Millennials (Generation Y), born between 1981 and 1996, tend to favour conventional assets like call and time deposits. In contrast, Generation Z, born between 1997 and 2012, shows a stronger inclination towards crypto assets and precious metals. Notably, crypto assets have become significantly more popular since 2022, with 32 per cent of respondents investing in them over the past two years, up from just 10 per cent in an earlier OECD study for the same age group. The BaFin study also established a clear link between social media use and crypto investment, with 43 per cent of social media users investing in these assets compared to only 25 per cent of non-users.

Finfluencers play a pivotal role in shaping investment decisions among these generations. More than 50 per cent of respondents reported using financial information from finfluencers, and nearly 90 per cent acknowledged that such influencers offer investment recommendations, primarily for equities and crypto assets. Crucially, 57 per cent of respondents who viewed these recommendations purchased the products directly through links provided by the influencers, while 25 per cent did so elsewhere.

However, the survey also raised concerns about a lack of transparency in the financial advice provided on social media. Many young investors remain unaware of the financial incentives behind influencer recommendations. For instance, 37 per cent of respondents were entirely unaware that finfluencers are often paid for their recommendations, while 15 per cent of those purchasing financial products through influencer links were unaware of the paid nature of these endorsements.

To address these issues, regulators, including BaFin, have begun implementing measures to bring influencers under stricter oversight. BaFin is advocating for mandatory disclosure of paid partnerships and the commissions earned by influencers to ensure transparency in financial promotions. In parallel, the Markets in Crypto-Assets (MiCA) regulation, set to take effect across the European Union, introduces new rules requiring clearer communication of risks associated with crypto investments and greater accountability for promotional content. BaFin has also stepped up its monitoring of online investment campaigns and is collaborating with social media platforms to detect and flag misleading financial advice. These regulatory initiatives aim to strike a balance between protecting consumers from fraudulent schemes and preserving access to credible financial education in the digital space.

In response to these findings, BaFin has urged young investors to exercise caution when following investment advice on social media. While social networks can provide useful insights, they are also rife with misinformation and half-truths. BaFin emphasised the importance of critically evaluating such recommendations and warned against falling prey to fraudulent schemes.

The authority's website offers comprehensive guidance on recognising and avoiding online investment fraud, including tips on protecting oneself from dubious recommendations and advice on handling cases of fraud. These measures, combined with regulatory efforts, seek to create a safer and more transparent environment for young investors engaging with social media platforms.

(Source: https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Fachartikel/2024/fa_bj_2409_Finfluencer_en.html;jsessionid=B19F6EB5FC3CE8CD0928B68939ECEDA1.internet992)

US SEC initiates Legal Proceedings Against Adani Greens Pvt. Ltd and its Directors for Securities Law Violations

On November 20, 2024, the United States Securities and Exchange Commission filed a **complaint** in the United States District Court for the Eastern District of New York against Gautam Adani and Sagar Adani. The complaint alleges that the defendants engaged in a large-scale bribery scheme, amounting to hundreds of millions of United States dollars, to secure contracts for renewable energy projects in India. The complaint further alleges that the defendants misrepresented their adherence to anti-bribery principles in connection with a United States bond offering worth USD 750 million.

In 2015, Gautam Adani founded Adani Green Energy Limited as a renewable energy subsidiary of the Adani Group. Sagar Adani, his nephew, was appointed Executive Director in 2018. Over the years, Adani Green Energy Limited positioned itself as a leader in renewable energy development and a proponent of strict anti-bribery and corporate governance standards.

In June 2019, the Solar Energy Corporation of India issued a tender for projects collectively known as the Manufacturing Linked Projects. Adani Green Energy Limited secured two-thirds of the projects, which required long-term power purchase agreements with state-owned power distribution companies. By 2020, however, state governments and energy companies were unwilling to sign agreements at the offered prices, stalling progress on the projects.

Between 2020 and 2021, Gautam Adani and Sagar Adani allegedly put together a bribery scheme to persuade state governments to sign agreements favorable to Adani Green Energy Limited. It is alleged that bribes totaling hundreds of millions of United States dollars were promised or paid, including USD 200 million to officials in Andhra Pradesh. These payments allegedly facilitated the completion of agreements critical to the Manufacturing Linked Projects.

In September 2021, Adani Green Energy Limited conducted a USD 750 million bond offering, targeting investors in the United States. The defendants allegedly misrepresented their compliance with anti-bribery principles and claimed a good corporate governance. The offering documents explicitly stated that neither Adani Green Energy Limited nor its directors had engaged in bribery or corruption, which the United States Securities and Exchange Commission alleges was false.

The United States Securities and Exchange Commission prays United States District Court for the Eastern District of New York to provide the relief in its complaint to provide an order of permanent Injunction against Gautam Adani and Sagar Adani from engaging in violations of United States federal securities laws; along with imposi-

tion of civil monetary penalties under United States Securities Act Section 20(d) and United States Securities Exchange Act Section 21(d)(3). The penalties are expected to be substantial, in line with the gravity of the alleged violations and their financial implications; and permanent prohibition on Gautam Adani and Sagar Adani from serving as officers or directors of any company required to file reports under United States Securities Exchange Act Section 15(d); and defendants must relinquish any financial gains and disgorgement obtained through the alleged violations, with interest as determined by the court. The court may grant any other relief deemed just and proper under the circumstances.

The complaint alleges that Gautam Adani and Sagar Adani violated several provisions of United States federal securities laws, including, United States Securities Act Section 17(a): which prohibits fraud in the offer or sale of securities and United States Securities Exchange Act Section 10(b) and United States Securities and Exchange Commission Rule 10b-5: which prohibits fraud in connection with the purchase or sale of securities. The US SEC's complaint alleges that the defendants aided and abetted Adani Green Energy Limited in violating United States Securities Act Section 17(a)(2), United States Securities Exchange Act Section 10(b), and United States Securities and Exchange Commission Rule 10b-5(b).

The United States District Court for the Eastern District of New York has jurisdiction over this case under United States Securities Act Section 22(a) and United States Securities Exchange Act Section 27. The jurisdiction is supported by the fact that the bond offering targeted United States investors, and transactions related to the alleged violations occurred within this district. The offering involved the use of United States interstate commerce and the transfer of funds through this jurisdiction.

(Source: <https://www.sec.gov/newsroom/press-releases/2024-181>, <https://www.sec.gov/files/litigation/complaints/2024/comp-pr2024-181.pdf>)

Unravelling the Bribery scheme involving Indian Energy Companies: US SEC Files Complaint Against Cyril Sebastien Cabanes Allegations Announcement

On November 20, 2024, the United States Securities and Exchange Commission filed a **complaint** in the United States District Court for the Eastern District of New York demanding jury trial against Cyril Sebastien Dominique Cabanes. The complaint alleges that Cabanes, while serving as a director of Azure Power, participated in a bribery scheme involving payments exceeding USD 250 million to Indian state officials. The alleged scheme aimed to secure contracts necessary for large-scale renewable energy projects. The complaint also claims that Cabanes violated the anti-bribery provisions of the United States Foreign Corrupt Practices Act.

Cyril Sebastien Dominique Cabanes, a French national residing in Singapore, was a director of Azure Power and represented the interests of its largest shareholder, the Canadian pension fund Caisse de dépôt et placement du Québec.

In December 2019, the Solar Energy Corporation of India awarded contracts for the Manufacturing Linked Projects to Azure Power and Adani Green Energy Limited. These projects required additional agreements with Indian state governments and power distribution companies. However, state officials were unwilling to accept the proposed terms, creating a risk that the projects would not proceed.

From 2021 to 2023, executives at Azure Power and Adani Green Energy Limited allegedly devised a bribery scheme to overcome this resistance. Payments totaling approximately USD 250 million were either promised or made to Indian state officials. According to the complaint, Cabanes became actively involved in the scheme by May 2022.

It is alleged that Cabanes used electronic communications, including WhatsApp messages, to coordinate payments and discuss the bribery scheme with other executives. These communications were sent through United States interstate commerce. Additionally, Cabanes allegedly directed Azure Power executives to conceal the bribery scheme from the company's board of directors and legal counsel, further exacerbating the violations.

By December 2022, the bribery scheme reportedly succeeded in securing critical agreements, allowing Azure Power and Adani Green Energy Limited to proceed with the Manufacturing Linked Projects. These projects were expected to generate billions of United States dollars in revenue for the companies.

The United States Securities and Exchange Commission prays the United States District Court for the Eastern District of New York for the relief in its complaint are imposition of monetary penalties on Cyril Sebastien Dominique Cabanes under United States Securities Exchange Act Section 21(d)(3); along with permanent prohibition on Cyril Sebastien Dominique Cabanes from serving as an officer or director of any company registered under United States Securities Exchange Act Section 12(b) or required to file reports under United States Securities Exchange Act Section 15(d); and disgorgement, the defendant must relinquish any financial gains obtained through the alleged violations, along with prejudgment interest. The court may grant any other relief it deems just and appropriate.

The complaint alleges that Cyril Sebastien Dominique Cabanes violated the anti-bribery provisions of the United States Foreign Corrupt Practices Act, specifically Section 30A of the United States Securities Exchange Act of 1934. This section prohibits United States-related companies and individuals from bribing foreign officials to gain business advantages.

The United States District Court for the Eastern District of New York has jurisdiction over this case under United States Securities Exchange Act Sections 21(d), 21(e), and 27. The complaint states that the alleged bribery involved the use of United States interstate commerce, including electronic communications transmitted through this district. Furthermore, the payments and communications facilitated violations of United States federal laws governing securities and anti-corruption practices.

(Source: <https://www.sec.gov/newsroom/press-releases/2024-181>, <https://www.sec.gov/files/litigation/complaints/2024/comp-pr2024-181-1.pdf>)

US Commodity Futures Trading Commission Proposes DLT and Blockchain for Non-Cash Collateral in Derivatives Markets

On 21 November 2024, the United States Commodity Futures Trading Commission's Global Markets Advisory Committee, chaired by Commissioner Caroline D. Pham, has advanced a recommendation to enable the use of distributed ledger technology for non-cash collateral in derivatives markets. The recommendation aims to improve efficiency and reduce risks associated with using non-cash assets as collateral, such as government bonds and other high-quality securities. The recommendation is the fourteenth advanced by the Global Markets Advisory Committee to the United States Commodity Futures Trading Commission in the past year, marking a record for any advisory committee within the same timeframe.

The Global Markets Advisory Committee advises the United States Commodity Futures Trading Commission on maintaining the integrity and competitiveness of U.S. markets in a globally interconnected environment. Established in 1998, GMAC addresses regulatory challenges and provides recommendations on international standards for futures, swaps, options, and derivatives markets, as well as intermediaries. The Digital Asset Markets Subcommittee, under the Global Markets Advisory Committee, presented progress on its Utility Tokens workstream. This initiative is developing regulatory frameworks for tokenised assets to promote innovation and growth in the digital economy.

The United States Commodity Futures Trading Commission and United States prudential regulators have long allowed the use of non-cash collateral for meeting regulatory margin requirements in derivatives transactions, including cleared and non-cleared derivatives. Eligible collateral includes government bonds, corporate securities, listed equities, money market funds, and gold.

However, operational inefficiencies have limited the practical application of non-cash collateral. These inefficiencies arise from complex intermediary networks, settlement delays, and the need for cash conversions, all of which add cost and risk for market participants.

Distributed ledger technology offers a solution by digitising and streamlining the transfer of non-cash collateral. By enabling real-time, peer-to-peer asset transfers, distributed ledger technology reduces reliance on intermediaries and eliminates the need to liquidate assets for cash collateral.

The recommendation identifies key operational hurdles that distributed ledger technology can address such as complexity in Intermediary Networks, as current systems for transferring non-cash assets require multiple intermediaries, including banks and brokers, increasing costs and delays. Restricted Settlement Windows in market infrastructures often operate on limited hours, making timely asset transfers difficult under regulatory

deadlines. Market Stress Amplification, during periods of market volatility, firms often sell non-cash assets to meet margin calls. This pro-cyclical behaviour worsens price declines and de-establishes the market. By enabling direct, 24/7/365 transfers of eligible collateral, distributed ledger technology improves operational efficiency and reduces reliance on intermediaries. It also counters the risk of forced asset sales during periods of market stress.

The Global Markets Advisory Committee's Digital Asset Markets Subcommittee has proposed a framework for adopting distributed ledger technology in derivatives markets. The recommendations include:

1. **Maintaining Asset Eligibility Rules:** Distributed ledger technology should not alter the eligibility of non-cash collateral. Assets eligible under current regulations—such as sovereign bonds and gold—would remain eligible, regardless of their use on distributed ledgers.
2. **Leveraging Existing Risk Management Processes:** Swap entities, clearing organisations, and futures commission merchants should apply existing policies to assess the risks associated with distributed ledger technology. These risks include legal enforceability, segregation and custody arrangements, and information security.
3. **Avoiding New Regulatory Rules:** The adoption of distributed ledger technology should not necessitate changes to current United States Commodity Futures Trading Commission rules, as existing frameworks adequately address the operational and legal risks of new technologies.

The adoption of distributed ledger technology in derivatives markets offers advantages for market participants and regulators such as, increased efficiency, real-time asset transfers reduce delays and streamline the margin process, particularly during periods of market volatility and cost reduction, by eliminating the need for intermediaries and redundant processes, distributed ledger technology lowers transaction costs and enhanced market stability, with the ability to transfer non-cash collateral directly reduces the reliance on cash during margin calls, preventing large-scale asset sales that could destabilise markets.

US CFTC Commissioner Caroline D. Pham in her [statement](#) on the official website of US CFTC stated: "All over the world, there have been successful and proven commercial use cases for tokenization of assets, such as digital government bond issuances in Europe and Asia, over \$1.5 trillion notional volume in institutional repo and payments transactions on enterprise blockchain platforms, and more efficient collateral and treasury management, now, we can finally begin to make progress on U.S. regulatory clarity for digital assets with today's GMAC recommendation on tokenized non-cash collateral. This marks a significant first step toward realizing these opportunities for our derivatives markets — with exactly the same guardrails and protections in place. Embracing new technology does not mean compromising on market integrity. I'm also excited by the progress of the Utility Tokens workstream and their extensive efforts on a regulatory solution for these key assets which will help to unleash rapid innovation and growth in the digital economy. I applaud the leadership of the GMAC and the Digital Asset Markets Subcommittee and workstreams for promoting the competitiveness of our markets and the United States."

(Source: <https://www.cftc.gov/PressRoom/PressReleases/9009-24>, https://www.cftc.gov/media/11581/GMAC_DAM_UseofDLTasDerivativesCollateral_112124/downloadQ67)

Gary Gensler Announces Departure as Chair of the United States Securities and Exchange Commission

On 21 November 2024, the United States Securities and Exchange Commission announced that Gary Gensler, the 33rd Chair of the Commission, will step down from his role on 20 January 2025. Chair Gary Gensler, who began his tenure on 17 April 2021 in the wake of the GameStop market events, has led the agency through a transformative period marked by sweeping reforms to enhance the efficiency, resilience, and integrity of United States capital markets.

During his tenure, Chair Gary Gensler spearheaded several rulemaking agenda, bringing updates to both the US \$28 trillion Treasury market and the US \$55 trillion equity market. These included implementing central clearing in Treasury markets, narrowing exemptions for broker-dealers, and shortening the equity market settlement cycle to one day. The reforms also introduced measures to enhance transparency in broker execution quality, benefitting investors with lower costs and improved market efficiency.

Under Chair Gary Gensler's leadership, the United States Securities and Exchange Commission advanced significant changes in corporate governance. New rules mandated timely disclosure of executive pay versus performance, required clawbacks of executive compensation tied to misstated financials, and updated standards for corporate insiders selling shares. The Commission ensured that shareholders could vote for a mix of board candidates through universal proxy cards, furthering trust in capital market governance.

The United States Securities and Exchange Commission also made strides in addressing emerging challenges. During Gensler's leadership, the Commission strengthened disclosure requirements for public companies, particularly regarding cybersecurity and climate risks, and mandated enhanced reporting of personal data breaches by broker-dealers and investment advisers. In addition, transparency was bolstered through the publication of anonymised data from registered investment funds, private funds, and advisers.

Chair Gary Gensler oversaw rigorous enforcement efforts, with the Commission filing over 2,700 enforcement actions and recovering approximately US \$21 billion in penalties and disgorgements. The agency returned more than US \$2.7 billion to harmed investors and awarded US \$1.5 billion to whistleblowers. This period also saw a strong focus on crypto markets, where the Securities and Exchange Commission brought numerous actions against intermediaries for fraud, registration violations, and wash trading. Courts consistently upheld the Commission's authority in enforcing securities laws, irrespective of the form in which they were offered.

During his tenure, the United States Securities and Exchange Commission enhanced resilience in financial reporting. Amendments to Form PF improved transparency for large hedge funds and private equity funds. The Public Company Accounting Oversight Board, under the Commission's oversight, achieved a historic agreement with Chinese authorities, allowing the inspection of audit firms in China and Hong Kong for the first time. This milestone addressed long-standing concerns about the auditing of China-related companies listed in the United States.

Reflecting on his time in office, Chair Gary Gensler said, "The Securities and Exchange Commission is a remarkable agency, the staff and the Commission are deeply mission-driven, focused on protecting investors, facilitating capital formation, and ensuring that the markets work for investors and issuers alike. The staff comprises true public servants. It has been an honor of a lifetime to serve with them on behalf of everyday Americans and ensure that our capital markets remain the best in the world. He added: "I thank President Biden for entrusting me with this incredible responsibility. The SEC has met our mission and enforced the law without fear or favor. I've greatly enjoyed working with my fellow Commissioners, Allison Herren Lee, Elad Roisman, Hester Peirce, Caroline Crenshaw, Mark Uyeda, and Jaime Lizárraga. I also thank Congress, my colleagues across the U.S. government, and fellow regulators around the world."

Before leading the United States Securities and Exchange Commission, Chair Gary Gensler held several prominent roles, including Chair of the United States Commodity Futures Trading Commission, where he led the Obama Administration's reform of the US \$400 trillion swaps market. He also played a pivotal role in the creation of the Sarbanes-Oxley Act and served in various capacities within the United States Department of the Treasury. His career also includes contributions to academia, where he served as a professor at the Massachusetts Institute of Technology, and to the private sector during his tenure at Goldman Sachs.

(Source: <https://www.sec.gov/newsroom/press-releases/2024-182>)

Miami International Securities Exchange LLC and MIAx PEARL LLC Propose Rule Changes to the US SEC to Allow Bitcoin-Backed Options Trading

On 22 November 2024, the United States Securities and Exchange Commission received proposals i.e. [proposal 1](#), [proposal 2](#) and [proposal 3](#) from Miami International Securities Exchange LLC and its affiliate, MIAx PEARL LLC, to amend their rules to permit the listing and trading of options on a range of Bitcoin-backed funds. The funds include well-known cryptocurrency financial instruments such as the Grayscale Bitcoin Trust, the Fidelity Wise Origin Bitcoin Fund, and the ARK 21Shares Bitcoin Exchange-Traded Fund (ETF). These filings to aim at integrating Bitcoin-related financial products into the regulated securities market of the United States.

The proposals are presented by Miami International Securities Exchange LLC (MIAx) and its affiliate MIAx PEARL LLC, which are recognised self-regulatory organisations under the oversight of the US SEC. As part of their obligations, the exchanges must comply with the United States Securities Exchange Act of 1934 and submit rule

changes for US SEC review and approval. The US SEC is overseeing the review and potential approval of these changes if they align with the US SEC's standard and has a satisfactory rationale to ensure transparent, fair, and investor-protective trading environments.

The proposals provide for amendments to Rule 402 (Criteria for Underlying Securities), which define the eligibility of Bitcoin-backed funds for options trading, Rule 307 (Position Limits), which set conservative caps on the maximum number of options contracts traders can hold, and Rule 309 (Exercise Limits), which regulate the maximum number of contracts exercisable at any time.

The filings propose the introduction of options trading for several Bitcoin-backed ETFs and trusts, including, Grayscale Bitcoin Trust (GBTC) which is a well-established trust representing fractional Bitcoin ownership, Fidelity Wise Origin Bitcoin Fund, which provides for newer ETF designed to reflect Bitcoin price movements, and ARK 21Shares Bitcoin ETF, which is a collaboration between ARK Invest and 21Shares, all offering exposure to Bitcoin prices.

The Miami International Securities Exchange LLC and its affiliate, MIAX PEARL LLC in their proposals, present rationale and reasoning for the rule changes, supported by data and industry trends, including investor Demand for Regulated Bitcoin Exposure, as Bitcoin has become an increasingly popular asset among retail and institutional investors. However, direct investment in Bitcoin poses challenges, including custody, security, and regulatory concerns. These Bitcoin-backed funds provide a regulated alternative for investors to gain exposure to Bitcoin price movements without directly owning the cryptocurrency. Secondly, the exchanges in their proposals argue that these funds meet the listing standards for options on exchange-traded funds (ETFs) in terms of liquidity, as all funds have trading volumes far exceeding the minimum requirements. For example, the Fidelity Wise Origin Bitcoin Fund records an average daily volume of 8.9 million shares. The exchanges fulfill the requirement for market capitalization as the Grayscale Bitcoin Trust have market values over US \$13 billion, while each fund has more than 2,000 beneficial holders, ensuring they are widely held and actively traded.

The Miami International Securities Exchange LLC and its affiliate, MIAX PEARL LLC state that listing options on these funds will improve liquidity, support Hedging and Speculation and Enhance Price Discovery. To address potential concerns about market manipulation or excessive speculation, the proposals set conservative position and exercise limits of 25,000 contracts for each fund. These limits are lower than those for traditional ETFs with comparable trading metrics, which reflects a cautious approach to incorporating Bitcoin options.

The SEC's recent approvals for Bitcoin-based ETFs, such as the iShares Bitcoin Trust, suggest a willingness to integrate cryptocurrency into mainstream markets under regulated conditions. However, the commission is likely to scrutinise these proposals closely, particularly given Bitcoin's historical volatility and the nascent nature of cryptocurrency regulation.

If approved, these proposals could mean cryptocurrency integration into traditional financial markets. Investors would gain access to regulated options contracts linked to Bitcoin, expanding their toolkit for managing exposure to digital assets.

(Source: <https://www.sec.gov/files/rules/sro/miax/2024/34-101717.pdf>, <https://www.sec.gov/files/rules/sro/pearl/2024/34-101719.pdf>, <https://www.sec.gov/files/rules/sro/pearl/2024/34-101718.pdf>)

United States SEC Reports Enforcement Outcomes for Fiscal Year 2024

On 22 November 2024, the United States Securities and Exchange Commission announced the **enforcement statistics** for fiscal year 2024, providing a report on financial remedies and ongoing efforts to promote compliance and investor protection. Despite a decline in the total number of enforcement actions, the United States SEC boasts its ability to secure outcomes, including its highest-ever monetary remedies and landmark judgments in high-profile cases.

The United States SEC's primary mandate is to enforce federal securities laws to ensure market integrity, protect investors, and hold violators accountable. Each year, the agency reports on its enforcement activities, reflecting its response to emerging market risks, compliance trends, and the evolving landscape of securities regulation. Fiscal year 2024 saw a shift toward encouraging proactive compliance among market participants, addressing technological challenges, and targeting major fraud schemes.

In fiscal year 2024, the United States SEC obtained financial remedies totaling US \$8.2 billion, the highest in its history. This included US \$6.1 billion in disgorgement and prejudgment interest and US \$2.1 billion in civil penalties. The bulk of this record sum, 56% came from a jury verdict in the United States SEC's case against Terraform Labs and its founder Do Kwon, who were charged with orchestrating one of the largest securities frauds in U.S. history. The total number of enforcement actions, however, declined to 583, a 26% decrease from the prior fiscal year. Among these, 431 were stand-alone actions (14% decrease), 93 were follow-on administrative proceedings (43% decrease), and 59 were actions against delinquent filers (51% decrease). Despite this decline, SEC Chair Gary Gensler showed the agency's impact in deterring misconduct and fostering market trust.

A portion of the United States SEC's efforts focused on combating fraud and holding perpetrators accountable. The Commission charged Terraform Labs and Do Kwon with securities fraud, securing over US \$4.5 billion in remedies following a jury verdict. Other notable cases included charges against HyperFund and NovaTech for fraudulent schemes that raised billions of dollars globally, and actions against Morgan Stanley for its involvement in a multi-year fraud involving block trade disclosures, resulting in penalties of US \$249 million.

Fraud cases extended beyond corporate entities to individuals who engaged in Ponzi schemes, crypto-asset scams, and insider trading. For example, the United States SEC charged Cynthia and Eddy Petion, founders of NovaTech, for operating a fraudulent scheme that raised over US \$650 million from investors. The United States SEC places a strong emphasis on fostering proactive compliance among market participants, including broker-dealers, investment advisers, and public companies. Many firms responded by self-reporting violations, remediating issues, and cooperating with the US SEC's investigations, where reduced or no penalties were imposed, particularly for large entities that demonstrated a robust commitment to corrective measures.

Notable initiatives included the US SEC's crackdown on recordkeeping violations. The agency pursued over 70 firms, imposing more than US \$600 million in penalties for failing to comply with federal recordkeeping laws. In another significant effort, the United States SEC enforced compliance with the Marketing Rule, addressing cases where investment advisers misrepresented hypothetical performance or used unsubstantiated claims in advertisements.

In fiscal year 2024, the United States SEC faced heightened risks from emerging technologies, cybersecurity threats, and social media scams. It took action against companies misusing artificial intelligence to mislead investors, including QZ Asset Management, which falsely claimed extraordinary returns from its AI technology. Similarly, the US SEC addressed cybersecurity lapses, such as the delayed reporting of a cyber intrusion by the Intercontinental Exchange, and settled cases involving social media-based relationship scams that defrauded thousands.

The crypto-asset market continued to be a focal point. The United States SEC charged Barnbridge DAO for failing to register its structured crypto-asset offerings as securities. It also pursued actions against companies like Silvergate Capital for misleading disclosures about compliance with anti-money laundering regulations.

The United States SEC's whistleblower program reached a milestone in fiscal year 2024, receiving a record 45,130 tips, complaints, and referrals. More than 24,000 were whistleblower tips, and the agency issued awards totaling US \$255 million. Additionally, US \$345 million was distributed to harmed investors, bringing the total restitution since fiscal year 2021 to over US \$2.7 billion.

Holding individuals accountable remained a priority of the United States SEC's enforcement strategy, high-profile cases included the barring of Do Kwon from serving as an officer or director of public companies and penalties against executives of Silvergate Capital for misleading investors. The Commission also addressed failures by gatekeepers, such as audit firms and compliance officers, to uphold their fiduciary responsibilities.

(Source: <https://www.sec.gov/newsroom/press-releases/2024-186>, <https://www.sec.gov/files/fy24-enforcement-statistics.pdf>)

Customers Urged to Act on Premium Savings Contracts as BaFin Appeals Frankfurt Court Ruling

On 25 November 2024, Christian Bock, Consumer Protection Officer of the German Federal Financial Supervisory Authority (**BaFin**), issued a strong call to action for customers holding premium savings contracts. Christian Bock explained the urgent need for customers to assert their claims for interest recalculations before the year-end to avoid potential statute-bar limitations, while also shedding light on BaFin's decision to appeal a ruling by the Frankfurt Administrative Court overturning a general order on interest adjustment clauses.

Premium savings contracts, popular around the turn of the millennium, have been at the centre of legal disputes regarding improper interest calculations by banks and savings institutions. Many customers with such contracts may still claim overdue interest payments, but the deadline for such claims in some cases may expire in just a few weeks. Christian Bock urged affected customers to contact their banks or savings institutions immediately to have their contracts reviewed, assert their claims for interest, and halt the limitation period.

Christian Bock clarified the concrete actions customers must take. They should issue a written demand to their financial institutions, requesting interest adjustments based on rulings from the German Federal Court of Justice (**BGH**), such as the landmark decision from 9 July 2024. Consumer advocacy groups offer template letters to facilitate this process. To prevent the three-year limitation period for claims from expiring, customers can approach the relevant dispute resolution bodies, initiate legal proceedings, or request a written waiver of the statute of limitation defence from their institutions. Legal counsel or consumer advice centres can assist customers in determining the validity of their claims and the applicable limitation deadlines.

To safeguard consumer interests, BaFin issued a general order three years ago addressing unlawful interest adjustment clauses in premium savings contracts. These contracts, often entered into between 1990 and 2010, featured variable interest rates and premium payments based on cumulative savings contributions. However, banks included clauses granting themselves broad discretion to adjust interest rates unilaterally, which the BGH ruled as invalid in a series of judgments dating back to 2004. The court found such clauses lacked the transparency required to enable customers to anticipate and verify rate changes.

BaFin's general order compelled financial institutions to notify customers of these rulings and recalculate interest rates in accordance with the BGH's standards. Alternatively, institutions were required to offer amended contracts reflecting the lawful terms. According to the consumer advocacy group, this affected approximately 1.1 million contracts in 2021, with customers being underpaid by an average of €1,000 to €2,000 in interest.

In recent weeks, the Frankfurt Administrative Court annulled BaFin's general order, asserting that the institutions' actions did not constitute significant, lasting, or repeated breaches of consumer protection laws. BaFin disagrees with this interpretation and has filed an appeal, seeking greater legal certainty for its regulatory framework through a higher court ruling. Bock stressed that the administrative court's decision does not invalidate customers' civil claims for interest adjustments under the BGH's case law.

Since 2004, the BGH has consistently invalidated such clauses for lacking transparency, finding that customers were unable to predict potential interest changes or verify adjustments. These rulings have formed the legal basis for recalculating interest payments, with the recent BaFin regulations aimed at enforcing compliance among financial institutions.

(Source: https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Fachartikel/2024/fa_bj_2409_Finfluenzer_en.html;jsessionid=B19F6EB5FC3CE8CD0928B68939ECEDA1.internet992)

United States Securities and Exchange Commission Approves Payment for BitClave Fund Administration

On 25 November 2024, the United States Securities and Exchange Commission issued a detailed administrative order under the United States Securities Exchange Act of 1934. The order approved the payment of fees and expenses to the fund administrator responsible for managing the Fair Fund related to BitClave PTE Ltd. The Commission also authorised an expedited process for future payments to ensure the efficient distribution of funds to harmed investors.

The United States Securities and Exchange Commission had initiated enforcement proceedings against BitClave PTE Ltd. on 28 May 2020. The findings of the Commission revealed that between June 2017 and November 2017, BitClave PTE Ltd. conducted an initial coin offering to raise funds for the development of a blockchain-based search platform designed to deliver targeted consumer advertising. As part of this process, the company issued digital tokens referred to as Consumer Activity Tokens, also known as CAT.

BitClave PTE Ltd. raised approximately US \$25.5 million through the initial coin offering. However, the United States Securities and Exchange Commission determined that the offering violated United States securities laws. Specifically, the company failed to file a registration statement as required by Sections 5(a) and 5(c) of the Securities Act of 1933. The digital tokens issued were considered securities, and the company sold them to thousands of investors without complying with mandatory registration requirements.

In response to these violations, the United States Securities and Exchange Commission ordered BitClave PTE Ltd. to pay US \$25.5 million in disgorgement, US \$3,444,197 in prejudgment interest, and a civil monetary penalty of US \$400,000. The total monetary sanctions amounted to US \$29,344,197. These funds were allocated to a Fair Fund established under the Sarbanes-Oxley Act of 2002 to ensure equitable distribution to the investors harmed by the unlawful offering.

On 22 April 2021, the United States Securities and Exchange Commission, acting through its Division of Enforcement, appointed Kurtzman Carson Consultants LLC as the administrator for the BitClave Fair Fund. The fund administrator's responsibilities included evaluating claims, managing the distribution process, and ensuring that harmed investors received their allocated share of the funds.

The fund administrator's appointment order initially set a bond amount as required by the regulations. This bond amount was later adjusted to align with the scale of the administration process. The role of Kurtzman Carson Consultants LLC as the fund administrator was critical in ensuring the transparent and efficient handling of the US \$29,344,197 allocated to the Fair Fund.

The administrative order issued on 25 November 2024 approved payment for services provided by the fund administrator, Kurtzman Carson Consultants LLC, from 22 April 2021 to 29 February 2024. The fees and expenses incurred during this period totalled US \$52,460.20. The United States Securities and Exchange Commission thoroughly reviewed these costs and deemed them reasonable.

The Commission authorised the Office of Financial Management to disburse the approved payment from the Fair Fund to the fund administrator. Additionally, to facilitate future payments, the Commission granted the Office of Financial Management the authority to approve and process payments for fees and expenses incurred by the fund administrator. This authorisation is contingent upon the total payments not exceeding the approved cost proposal submitted by the administrator.

The approval for payment and the streamlined process for future disbursements were issued in accordance with the rules established under the United States Securities Exchange Act of 1934. Specifically, the administrative order referenced Rules 1105(d) and 1105(e) of the United States Securities and Exchange Commission's Rules of Practice. These rules provide a regulatory framework for the administration and management of Fair Funds to ensure accountability and transparency in compensating harmed investors.

The approval of this payment shows the commitment of the United States Securities and Exchange Commission to protect investors and uphold the integrity of the financial markets. The administrative order aims to ensure that the investors harmed by the unlawful actions of BitClave PTE Ltd. receive appropriate compensation from the Fair Fund. The authorisation for the Office of Financial Management to directly process subsequent payments ensures that the administrative process remains responsive to the needs of harmed investors.

(Source: <https://www.sec.gov/files/litigation/admin/2024/34-101750.pdf>)

US SEC Approves Distribution Plan for Quantstamp Inc. Following US Securities Law Violations, Culminates in Investor Restitution

On 26 November 2024, the United States Securities and Exchange Commission passed an order approving plan of distribution concerning Quantstamp, Inc., a blockchain technology company that faced allegations of offering unregistered securities. This resolution follows a series of regulatory actions initiated on 21 July 2023 under the United States Securities Act of 1933, addressing violations related to the company's QSP tokens.

In October and November of 2017, Quantstamp, Inc. conducted a fundraising campaign by offering and selling QSP tokens, purportedly to finance the development of an automated protocol for auditing smart contracts. Through this initiative, the company raised approximately US \$28.35 million in Ethereum and United States dollars from over 5,000 investors globally, including a substantial portion in the United States.

The United States Securities and Exchange Commission determined that these QSP tokens constituted securities under United States law. As such, the company was required to register these securities or qualify for an exemption, which it failed to do. This oversight resulted in violations of Sections 5(a) and 5(c) of the United States Securities Act of 1933, which govern the registration and offering of securities. On 21 July 2023, the Commission ordered Quantstamp, Inc. to cease and desist from further violations and to pay a total of US \$3,473,515. This sum included US \$1,979,201 in disgorgement, US \$494,314 in prejudgment interest, and a US \$1,000,000 civil penalty.

The United States Securities and Exchange Commission's approved plan aims that the collected penalties and restitution funds are allocated to investors harmed by Quantstamp, Inc.'s unregistered token offering. A Fair Fund, established under the United States Sarbanes-Oxley Act of 2002, will manage the US \$3,473,515 in disgorged funds, penalties, and accrued interest. The plan covers losses incurred by individuals who purchased QSP tokens between 1 October 2017, and 20 July 2023.

The distribution proposal was made public on 7 October 2024, and open for public comment for 30 days. As no comments were received, the plan was formally approved on 26 November 2024, and will be implemented under the supervision of the United States Securities and Exchange Commission.

Quantstamp, Inc. is a blockchain technology company that aims to enhance the security of decentralized applications by automating the auditing of smart contracts. Smart contracts, which are self-executing agreements encoded on blockchain platforms, play a critical role in various blockchain applications, including decentralized finance. Quantstamp's QSP token was designed to facilitate payments for these security services, allowing users to request audits, incentivize validators, and participate in the ecosystem.

The QSP token, despite its utility claims, was deemed a security by the United States Securities and Exchange Commission because it was marketed and sold to raise funds for company operations and was presented as an investment opportunity. The Commission noted that Quantstamp, Inc. promoted the tokens to investors with the expectation of profit, thereby fulfilling the criteria for a security under United States law.

Quantstamp, Inc. violated Section 5(a) of the United States Securities Act of 1933, which prohibits the sale of securities without a valid registration statement and Section 5(c) of the United States Securities Act of 1933, which forbids offering securities without proper registration or exemption. The unregistered sale and marketing of the QSP tokens were deemed as a failure to comply with regulatory requirements, exposing investors to risks without adequate oversight.

The enforcement action against Quantstamp, Inc. high is one of many in the digital asset sector by the United States Securities and Exchange Commission for noncompliance of securities laws even when dealing with innovative technologies like blockchain. The resolution orders the creation of a Fair Fund to compensate affected investors and mitigating harm while reinforcing legal accountability in the rapidly evolving blockchain industry.

(Source: <https://www.sec.gov/files/litigation/admin/2024/34-101760.pdf>)

United States SEC Extends Review Period for NYSE Proposed Rule Change on Reverse Stock Splits

On 25 November 2024, the United States Securities and Exchange Commission announced the extension of the review period for a proposed rule change submitted by the New York Stock Exchange (NYSE). The proposal seeks to amend Section 802.01C of the NYSE Listed Company Manual, which governs price criteria for capital or common stock, to impose new restrictions on reverse stock splits in specific situations.

The NYSE's proposed amendment, initially filed on 30 September 2024 under Section 19(b)(1) of the United States Securities Exchange Act of 1934, aims to address two issues. First, companies that fall below the prescribed price criteria and use reverse stock splits to regain compliance would lose eligibility for a compliance period in certain cases. Second, companies would be prohibited from implementing reverse stock splits if doing so would cause them to fall below the continued listing requirements. This proposal was published for public comment in the Federal Register on 17 October 2024.

Under Section 19(b)(2) of the United States Securities Exchange Act, the United States SEC is required to act on such proposals within 45 days of publication, which in this case is 1 December 2024. However, the United States SEC has opted to extend this timeframe to allow for more thorough consideration of the rule and the comments received during the public consultation period. The new deadline for the United States SEC's decision in the filed amendment is now set for 15 January 2025. By this date, the United States SEC will decide whether to approve, disapprove, or further evaluate the proposed rule change.

(Source: <https://www.sec.gov/files/rules/sro/nyse/2024/34-101746.pdf>)

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