



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

GOVERNOR **Gavin Newsom** • COMMISSIONER **Clothilde V. Hewlett**

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DFPI Issues Action Against Coinbase Citing Staking Rewards Program Violates Securities Law

SACRAMENTO – The California Department of Financial Protection and Innovation (DFPI) announced today that it has issued an [action](#) against Coinbase Global, Inc. and Coinbase, Inc. for violations of securities laws and corresponding penalties in connection with Coinbase’s staking rewards program.

The action is the result of a multi-state task force of 10 state securities regulators led by California that also includes Alabama, Illinois, Kentucky, Maryland, New Jersey, South Carolina, Vermont, Washington, and Wisconsin. The DFPI acknowledges the SEC’s concurrent efforts to enforce securities laws and appreciates the inter-agency communication regarding this action.

“Every day, the DFPI protects California consumers and investors by enforcing the state’s laws. This action is another step toward ensuring that investors in crypto asset products are also offered that protection,” said DFPI Commissioner Clothilde Hewlett.

Staking occurs when investors lock their crypto assets for a set period to help support the operation of a blockchain. In return, the investor is promised more cryptocurrency. Under Coinbase’s staking rewards program, investors deposit crypto assets with Coinbase, which then facilitates the staking of these assets on the blockchain. The program is offered to the public and advertises a return of up to 6 percent on investments. Coinbase pools investors’ crypto assets and employs a team of engineers to operate staking validator nodes to generate staking rewards. Coinbase takes a cut of those profits before sharing them with investors.

In today’s action, DFPI determined that Coinbase violates the securities law by offering its staking rewards program accounts to California residents without first obtaining a qualification from DFPI to offer or sell these securities. This action does not prohibit Coinbase from offering staking as a service, as long as it complies with California’s laws. The purpose of qualifying an offer and sale of securities, in part, is to ensure that investors receive all material information needed to evaluate the risks of participating in an investment, including in a staking rewards program.

Coinbase’s nearly 3.5 million staking rewards program accounts nationwide are not insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC). There is no protection from loss for any of these accounts, including the more than 600,000 accounts

held by California investors. Investors are encouraged to contact DFPI to confirm the qualification status of a staking rewards program before investing their money.

The DFPI expects any person offering securities, lending, or other financial services in California to comply with our financial laws. If you are a client of Coinbase with complaints about your staking rewards program account, submit a complaint online at dfpi.ca.gov/file-a-complaint or call toll-free at (866) 275-2677.

About DFPI

The DFPI protects consumers, regulates financial services, and fosters responsible innovation. The DFPI protects consumers by establishing and enforcing financial regulations that promote transparency and accountability. We empower all Californians to access a fair and equitable financial marketplace through education and preventing potential risks, fraud, and abuse. Learn more at dfpi.ca.gov.

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