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## SEC Exerts Extraterritorial Jurisdiction over Securities Dealer Accepting Bitcoin

*SEC sets its sights on foreign companies and individuals looking to take advantage of America's growing virtual currency market.*

On September 27, 2018, the Securities and Exchange Commission ("SEC") filed a complaint in the District Court for the District of Columbia against 1Pool LTD ("1Broker"), a company registered in the Republic of the Marshall Islands, and its CEO, Patrick Brunner, a resident of Austria. The complaint alleges multiple securities law violations in connection with the sale of security-based swaps as "contracts for difference," or "CFDs," to investors over the internet and around the globe. 1Broker sought to take advantage of the growing number of crypto-investors and exclusively accepted investments, and made payments to its investors in, Bitcoin. 1Broker attracted investors who could now spend their Bitcoin on more traditional investments, which caught the SEC's attention.

In its complaint, the SEC alleges that 1Broker sold security-based swaps on its platform to U.S. customers without monitoring the discretionary investment thresholds required by the federal securities laws, that the defendants failed to transact security-based swaps on a registered national exchange, and failed to properly register as a security-based

swaps dealer. The SEC has implicated the court's long arm jurisdiction to 1Broker's trading website for actions 1Broker conducted outside of the United States that affected U.S. customers. Because the website was publicly available to U.S. investors, 1Broker and the individual defendants are subject to suit in the United States because they made use of "instruments of transportation or communication in interstate commerce or of the mails to offer to sell, offer to buy or purchase or sell [securities]" in the United States.

In a parallel action, the Commodity Futures Trading Commission ("CFTC") announced charges against 1Broker arising from similar conduct.

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