

Sec rumor refuted by bitcoin companies

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Companies involved in the Bitcoin 2.0 arena were alarmed to read the rumor that SEC had sent inquiries regarding the issuance of unregistered securities to numerous Bitcoin companies.

The story caused speculation that all these companies' crowdsale strategies for gathering funds with crypto currency could run afoul of SEC rules on share issuance.

But so far some of the main players in this promising industry are saying that they did not receive any direct message from the SEC.

Some of them mentioned that they would not be surprised if the SEC digs further into the matter but some start-ups stated confidently that they are operating within the law.

When asked to shed some light on the issue, SEC declined to comment.

The report included a seriously redacted sample of SEC letter and mentioned that versions of it were sent to companies which have used fund-raising software platform made by Counterparty.

The software harnesses the blockchain ledger and the network to enable third-party firms to issue own digital currencies and tokens.

Evan Wagner, the co-founder, said that Counterparty did not get any letter from the SEC. He also mentioned that he and the colleagues were unaware of any Bitcoin companies using their software receiving such letters.

He stated that Counterparty is not accountable for the activities of these third-party start-ups.

<https://assignbuster.com/sec-rumor-refuted-by-bitcoin-companies/>

The firm said that software they develop can be used for both legitimate and illegitimate purposes, like all other developed software.

Counterparty does not encourage the creation of unregistered securities on the network, but they do not have any control over their issuance.

Mr. Wagner informed that XCP, Counterparty's internal currency, is not a security. Anyone who bought newly issued XCP using bitcoin did it through a "proof of burn" technique.

The method reduces the incoming Bitcoin unusable and ensures that no physical benefit passes to the company or its owners.

Some similar confident assurances were received from many popular Bitcoin 2.0 companies that are focused on facilitating decentralized, intermediary-free commercial enterprises.

Co-founder of Ethereum, Joseph Lubin, said his company received no such letter from the SEC. They are very confident in the legitimacy of the recent crowdsale exercise which valued at \$18 million when it ended in early September.

He stated that the internal tokens called ethers issued in the sale amounted to software but not securities. The token has no contractual rights related to them.

Chairman of Mastercoin Foundation, David A. Johnston, said that he was confident that the issuers of digital tokens on bitcoin-based platforms of

Mastercoin's have done due diligence to ensure that they were not selling securities.

He defined them as software too and demonstrated them as tools to provide an effective way to issue passwords to users. Neither Mastercoin nor any of its partners received any SEC letter.

Finally, the SEC will choose if these new bitcoin-like digital tokens which appear to defy the usual definitions the agency used in other offerings will be considered as securities that need regulation or if they will be seen as unregulated software products.