

FTC Reaches Settlement with Crypto Platform

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On July 13, the FTC issued a [press release](#) announcing that it had reached a settlement with a bankrupt crypto platform. The New Jersey based company, which filed for bankruptcy in July 2022, marketed a variety of cryptocurrency products and services to consumers including interest-bearing accounts, personal loans secured by cryptocurrency deposits, and a cryptocurrency exchange. According to the FTC, the company and its executives induced consumers to deposit cryptocurrency by deceiving users and falsely promising access to deposits, high yields, and deposit security. The FTC complaint alleges that rather than securing these deposits, the platform took title to and misappropriated deposits totaling more than \$4 billion. Specifically, it is alleged that the company used consumer deposits to fund operations, pay rewards to other customers, borrow from other institutions, and make high-risk investments. As the fiscal health of the company declined, executives concealed the fiscal condition of the company all the while protecting themselves by withdrawing significant sums of cryptocurrency from the platform two months before the company filed for bankruptcy.

The FTC's [proposed settlement](#) bans the Company and its affiliates from handling consumers' assets and prohibits the companies from misrepresenting the benefits of any product or service; making false, fictitious, or fraudulent representations to any customer of a financial institution in order to obtain or attempt to obtain their financial information; and from disclosing nonpublic personal information about consumers without their express consent.

Putting It Into Practice: This settlement is just one of many actions in a recent federal crackdown on the crypto market. In the wake of collapses of a number of crypto companies, the FTC and other federal agencies have taken on the task of policing an industry that has very few built-in guardrails and many opportunities for fraud. Consistent with [other actions](#) by the FTC and SEC, this settlement emphasizes the need for mindfulness and transparency on the part of crypto-based service providers when communicating with and providing services to the public.

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