

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11229 / September 7, 2023**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21627**

**In the Matter of**

**Linus Financial, Inc.,**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT  
OF 1933, MAKING FINDINGS, AND  
IMPOSING A CEASE-AND- DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) against Linus Financial, Inc. (“Linus” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-And-Desist Order (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondent’s Offer, the Commission finds that:

**Summary**

1. In or around March 19, 2020, Linus began to offer and sell its interest-bearing accounts (the “Linus Interest Accounts”) to United States-based investors, through which investors tendered fiat currency in exchange for Linus’s promise to provide periodic payments by converting the tendered assets into the crypto asset USDC and either: (1) transferring them into liquidity pools on purportedly “decentralized” finance platforms that are powered by smart

contracts, or (2) directly lending them to third-party institutional borrowers. As of March 25, 2022, the Linus Interest Accounts had approximately 500 active investors and \$5.2 million in assets earning interest.

2. As described more fully below, the Linus Interest Accounts were offered and sold as securities in the form of investment contracts, and Linus offered and sold them without registering such offers and sales with the Commission as required by law. Specifically, Linus Interest Account investors tendered fiat currency to Linus in exchange for a Linus promise to pay back investors with interest in direct proportion to their investments. Linus then took complete control over investors' assets from the Linus Interest Accounts and pooled them together. Linus then deployed those assets in various revenue-generating activities, including Linus's lending and investing activity, as Linus told investors Linus would do. Moreover, Linus marketed the Linus Interest Accounts as a tool investors could use to earn a higher interest rate than they would receive in traditional bank accounts. Additionally, Linus's lending and investment activities were at its own discretion, and Linus was responsible for managing the risks involved. Accordingly, investors had a reasonable expectation that they would share profits from their Linus Interest Account investments as a result of Linus's managerial and entrepreneurial efforts.

3. Linus offered and sold securities without a registration statement filed or in effect with the Commission and without qualifying for an exemption from registration. As a result, Linus violated Sections 5(a) and 5(c) of the Securities Act.

### **Respondent**

4. **Linus Financial, Inc. ("Linus")** is a Delaware corporation formed in 2018 with its principal place of business in Nashville, Tennessee. Linus provides crypto asset-related financial products and services.

### **Facts**

5. From March 2020 until April 22, 2022, Linus operated a crypto asset business in the United States through its currently inactive public website <http://www.getlinus.io>. As of March 2022, the Linus Interest Accounts had approximately 500 active investors and \$5.2 million in assets earning interest.

6. In or around March 19, 2020, Linus began offering its interest-bearing "Linus Interest Accounts" to United States-based investors, through which investors tendered fiat currency in exchange for Linus's promise to provide periodic payments. Linus stated that, to generate returns and pay investors interest, Linus would convert the tendered assets into USDC, pool the USDC into one central account that Linus controlled (which it called the Circle Business Account) and either (1) transfer the USDC into liquidity pools on purportedly "decentralized" finance platforms powered by smart contracts, or (2) directly lend the USDC to third-party institutional borrowers, both of which generated the revenue to pay interest to investors. Linus selected the interest-bearing opportunities to which investors' funds were committed.

7. The interest rates offered to Linus investors were subject to change generally on a monthly basis, but at Linus’s discretion. Linus set the rates based on the supply and demand of crypto assets in the crypto asset credit markets. Historically, Linus offered interest rates on fiat currency ranging between 3.50% APY and 4.50% APY, which was significantly above what investors at the time would generally receive at a bank if they were to deposit that same fiat currency in checking or savings accounts. Once Linus confirmed an investor’s deposit, the investor began earning interest immediately. Interest accrued on a daily basis.

8. Investors were able to withdraw, at any time, all or part of the assets they lent to Linus, including the interest earned, by instructing Linus to transfer the fiat currency reflected in their accounts to a designated bank account. Investors would submit withdrawal requests through the Linus platform and would receive their requested funds into their bank accounts either through an ACH or wire transfer within five business days.

9. Linus retained control over the Linus investors’ tendered assets, and lent those assets to third-party borrowers—as dictated by master loan agreements that Linus entered into with those parties—or used them to provide liquidity on purportedly “decentralized” finance platforms. Linus relied on the revenue generated from the foregoing activities to fund periodic payments to Linus Interest Account investors and to generate income and profits for itself. Linus retained the difference between the interest earned in the crypto asset credit markets and the interest paid to investors.

10. Linus marketed its Linus Interest Accounts to U.S. investors through general solicitations on Linus’s website and blog and on social media and elsewhere online, including Twitter, LinkedIn, and Instagram. Linus also marketed through Google search ads and solicited anyone who signed up for Linus’s mailing list. Linus promoted the Linus Interest Accounts as an investment and profit-making opportunity. For example, Linus advertised the attractive interest rates offered through the Linus Interest Accounts as a way to “earn a better rate on your dollars.” It also highlighted on its website that investors could “upgrade [their] cash with interest rates up to: 4.50% APY.”

11. Linus also promoted the Linus Interest Accounts as an investment opportunity on Twitter and company blog posts. On Twitter, Linus retweeted a post in February 2020 that said “Drop that \$\$ into @getlinus and make 6-figures passive income for the rest of your life.” In an early 2020 company blog post on Medium, Linus explained, “Our mission is to provide the retail market with access to new investment opportunities that are unavailable via traditional financial institutions. We’re currently focused on high yield deposits, but we have more on our roadmap.”

12. At no point has Linus filed a registration statement with the Commission for the offer and sale of the Linus Interest Accounts. Nor did the offer and sale of the Linus Interest Accounts qualify for an exemption from registration.

13. On or around March 25, 2022, in response to the announcement of the Commission’s settlement with the crypto asset lending platform BlockFi Lending LLC, and in conjunction with communications with the Commission staff,<sup>1</sup> Linus informed its investors via

---

<sup>1</sup> See *BlockFi Lending LLC*, Securities Act Rel. No. 11029 (Feb. 14, 2022) (settled order finding that the offer and

email that it was ceasing its operations and asked that they withdraw the funds in their Linus Interest Accounts by April 22, 2022. That same day, Linus also informed its investors that their Linus Interest Accounts would no longer accrue interest, starting on April 22, 2022. All investor funds have since been claimed.

### **Legal Analysis**

14. The Securities Act and the Securities Exchange Act of 1934 were designed to “eliminate serious abuses in a largely unregulated securities market.” *United Housing Found., Inc. v. Forman*, 421 U.S. 837, 849 (1975). They are focused, among other things, “on the capital market of the enterprise system: the sale of securities to raise capital for profit-making purposes ... and the need for regulation to prevent fraud and to protect the interest of investors.” *Id.*

15. Under Section 2(a)(1) of the Securities Act, a security includes “an investment contract.” 15 U.S.C. §§ 77b. Based on the facts set forth above, the Linus Interest Accounts constitute the offer and sale of investment contracts. *See SEC v. W.J. Howey Co.*, 328 U.S. 293, 301 (1946). Investors in the Linus Interest Accounts tendered fiat currency to Linus to participate in the Linus Interest Accounts. Linus then converted the fiat currency in the Linus Interest Accounts into crypto assets, specifically USDC, and pooled the USDC for lending and investment activities that would generate returns for both Linus and Linus Interest Account investors, proportional to their investment in Linus Interest Accounts. The returns earned by each Linus Interest Account investor were a function of the ways in which Linus deployed those loaned assets. In this way, each investor’s fortune was tied to the fortunes of the other investors. In addition, because Linus earned revenue for itself through its deployment of the Linus Interest Account assets, the Linus Interest Account investors’ fortunes were also linked to those of Linus. Through its public statements and the economic structure of the Linus Interest Accounts that Linus created, Linus invited Linus Interest Account investors to reasonably expect that they would earn profits derived from Linus’s efforts to manage the loaned assets profitably. Linus retained ownership and control over the borrowed assets, and determined how much to hold, lend, and invest. Linus’s lending and investment activities were at its own discretion, and Linus managed the risks involved.

16. Linus did not file a registration statement with the Commission for the offers and sales of the Linus Interest Accounts, nor did its offers and sales of the Linus Interest Accounts qualify for an exemption from registration under the Securities Act.

17. As a result of the conduct described above, Linus violated Section 5(a) of the Securities Act, which prohibits, unless a registration statement is in effect as to a security, any person, directly or indirectly, from making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise; or to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

---

sale of BlockFi Interest Accounts, which were very similar in nature to the Linus Interest Accounts, were unregistered securities offerings).

18. As a result of the conduct described above, Linus also violated Section 5(c) of the Securities Act, which prohibits any person, directly or indirectly, from making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed as to such security.

### **Respondent's Cooperation and Remedial Efforts**

19. As explained above, on March 25, 2022, shortly after the Commission announced charges involving a similar crypto investment product, Linus voluntarily ceased offering the Linus Interest Accounts to new investors and asked existing investors to withdraw Linus Interest Account funds by April 22, 2022. On April 22, 2022, Linus ceased paying interest on all funds remaining in Linus Interest Accounts. All investor funds have since been claimed.

20. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

### **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent cease and desist from committing or causing any violations and any future violations of Sections 5(a) and 5(c) of the Securities Act.

B. Respondent acknowledges that the Commission is not imposing a civil penalty based upon its cooperation in a Commission investigation and related enforcement action. If at any time following the entry of the Order, the Division of Enforcement (“Division”) obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay a civil money penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Vanessa A. Countryman  
Secretary