

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11358 / January 17, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22428

In the Matter of

**SOICHIRO “MICHAEL”
MORO,**

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 Soichiro “Michael” Moro (“Respondent” or “Moro”).

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 finds¹ that:

Summary

In June and July of 2022, Moro, while serving as Chief Executive Officer ("CEO") of Genesis Global Capital, LLC ("Genesis"), negligently engaged in conduct that misled investors in a lending program that Genesis offered and sold to retail investors with another company. Genesis offered investors yield in return for the investors tendering bitcoin or other crypto assets to Genesis. Genesis commingled investors' crypto assets and typically lent those assets out to institutional borrowers—generating revenue by charging interest to those borrowers. In mid-June 2022, Genesis suffered a significant financial loss—stemming from a large borrower's default—that put Genesis's viability as a business at risk. Yet, Moro negligently engaged in conduct that misleadingly downplayed the impact of that default and overstated what Genesis's parent company, Digital Currency Group ("DCG"), did to help Genesis in the aftermath. In short, Moro's failure to exercise reasonable care created a materially false or misleading impression to the public regarding Genesis's financial health.

In November 2022, faced with a wave of redemption requests that it could not satisfy, Genesis suspended withdrawals. It filed for bankruptcy in January 2023.

Respondent

1. Moro served as CEO of Genesis in June and July 2022 and until he left Genesis in August 2022. During this time, Moro worked from and resided in the State of New York. Moro is not registered with the Commission in any capacity, nor has Moro registered any securities with the Commission. Moro was associated with a registered broker-dealer from 2004 to 2022.

Other Relevant Entities

2. Genesis, at all relevant times, was a Delaware limited liability company formed in 2017 and a wholly-owned subsidiary of Genesis Global Holdco, LLC, which is wholly owned by DCG. Genesis has never been registered with the Commission in any capacity, nor had it registered any securities with the Commission.

3. DCG was founded in 2015 and is incorporated in Delaware, with its principal place of business in Stamford, Connecticut. DCG has never been registered with the Commission in any capacity, nor has DCG registered any securities with the Commission.

Facts

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

4. From 2021 to 2022, Genesis offered a crypto asset lending program to retail investors with another company. Genesis was in the business of lending crypto assets and U.S. dollars to institutional borrowers, such as crypto-focused hedge funds. The capital to run this business came, in part, from retail investors who tendered crypto assets to Genesis through an arrangement with another company in return for interest payments. Genesis commingled the tendered crypto assets and lent them out to the institutional borrowers to generate revenue.

5. One of Genesis's largest borrowers was the crypto asset hedge fund, Three Arrows Capital ("TAC"). As of early June 2022, TAC had outstanding loans from Genesis that totaled approximately \$2.4 billion. On June 13, 2022, TAC failed to meet a margin call and ultimately defaulted on these loans, leaving Genesis only with collateral—mostly in the form of bitcoin or assets tied to the price of bitcoin. While the value of this collateral was fluctuating, the value of the collateral fell far short of the \$2.4 billion face value of the TAC loan. On June 13, 2022—the day of the default—this shortfall was at least \$500 million. Moro was aware that there was at least a \$500 million shortfall at the time of the default. In the days that followed, the price of Bitcoin—and, correspondingly, the value of the TAC collateral—declined, causing Genesis's exposure to grow. On June 15, Genesis's estimated "mark to market deficit" on the TAC loan was over \$800 million. And on June 16, it had reached \$1 billion. Moro was aware of the "mark to market" exposure Genesis had with respect to the collateral it held.

6. Without additional capital to replace a roughly \$1 billion loss, Genesis's viability as a business was at risk. First, as a result of this likely loss, if too many Genesis lenders demanded back their money or crypto assets, Genesis would not be able to meet their requests. Second, Genesis had roughly one billion dollars less in cash or crypto assets to use for lending purposes and earn interest. Moro understood Genesis's revenue model and the risks accompanying a rush of investor demands for repayment of their loans.

7. Despite Genesis's compromised financial condition in the second half of June, DCG executives made clear to DCG and Genesis personnel that they needed to project strength. On June 15, 2022, Genesis tweeted that its balance sheet was strong. Moro, as Genesis's CEO, edited, reviewed, and approved that Genesis tweet before it was posted. The tweet was materially false or misleading because it failed to take into account the likely loss on the TAC loan. Indeed, given the size of the loss at the time, Genesis's balance sheet could not be accurately characterized as strong. Then, on June 17, 2022, Moro tweeted from his personal Twitter account that Genesis had "shed the risk" associated with the TAC default. Moro edited, reviewed, and approved this tweet before issuing it from his personal Twitter account. This tweet was materially false or misleading because Genesis remained exposed to movements in the value of the collateral associated with the TAC loan.

8. Giving more urgency to the situation, Genesis was required to provide a balance sheet to certain counterparties as of June 30, 2022. Moro understood that if that balance sheet were to show negative equity—i.e., liabilities greater than assets—there likely would be a "run on the bank" and Genesis would likely have had to file for bankruptcy.

9. More fundamentally, Genesis needed additional capital to protect against a potential influx in redemption requests and to originate new loans to generate profit as a business. Moro understood this.

10. On June 30, DCG executed a \$1.1 billion promissory note (the “Note”). Moro countersigned the Note on behalf of Genesis as its CEO. The Note created a \$1.1 billion obligation from DCG to Genesis, but required no payments—other than any recoveries in the TAC liquidation proceeding—until 2032. Specifically, the Note had a 10-year term, accrued interest at 1%, and was non-callable. Genesis recorded the Note on its balance sheet as a \$1.1 billion asset. Importantly, this allowed it to show positive equity on its June 30th balance sheet when it otherwise would have shown negative equity. Through the summer of 2022, however, the terms of the Note were not disclosed to Genesis’s investors.

11. Executing the Note to create positive equity on the balance sheet without disclosing the terms of the Note to Genesis investors allowed DCG and Moro to obfuscate how and whether DCG had stepped in to fix the problems caused by the TAC default. For example, in early July, Genesis personnel, including Moro—with the knowledge and participation of DCG personnel—drafted a tweet, posted on July 6 from Moro’s personal Twitter account, stating that DCG had “assumed certain liabilities of Genesis related to [TAC] to ensure [Genesis has] adequate capital to operate and scale our business for the long-term.” This was false or misleading. DCG had not transferred any capital to Genesis. While the Note may have technically created positive equity on the Genesis balance sheet, it had not improved Genesis’s financial stability. Moro was negligent in not ensuring that the detailed terms of the Note were disclosed by Genesis to Genesis’s investors.

Violation

12. As a result of the conduct described above, Moro violated Section 17(a)(3) of the Securities Act, which prohibits conduct in the offer or sale of securities that operates or would operate as a fraud or deceit upon the purchaser. Claims under Section 17(a)(3) of the Securities Act do not require a showing of scienter; instead, a showing of negligence is sufficient. *Aaron v. SEC*, 446 U.S. 680, 696-97 (1980).

13. As described above, by perpetuating a narrative that Genesis was in a strong financial position after the TAC default and by executing a promissory note that was falsely or misleadingly characterized as a solution to the problems caused by that default, Moro at least negligently engaged in creating a materially false or misleading impression to the public regarding Genesis’s financial condition.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Moro’s Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent Moro cease and desist from committing or causing any violations and any future violations of Section 17(a)(3) of the Securities Act.

B. Respondent shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$500,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

C. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

D. Payments by check or money order must be accompanied by a cover letter identifying Moro as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Mark R. Sylvester, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, N.Y.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based

on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary