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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,
 	
                                 Plaintiff,
 	
          -against-
 	
COINSEED, INC. and
DELGERDALAI DAVAASAMBUU,
 	
                       Defendants.
	<u>COMPLAINT</u>
	
	21 Civ. _____ ( )
	
	JURY TRIAL DEMANDED

Plaintiff Securities and Exchange Commission (the "Commission"), for its Complaint against Defendants Coinseed, Inc. ("Coinseed") and its founder and chief executive officer Delgerdalai Davaasambuu ("Davaasambuu") (collectively, "Defendants"), alleges as follows:

<center>SUMMARY</center>

1.   From at least December 2017 to May 2018, Defendants offered and sold digital assets called "CSD tokens" as securities to investors, in return for consideration worth at least $141,000. Defendants told investors that their investments would be used to develop Coinseed's

business, including a mobile phone application that purportedly enabled users to purchase and sell digital assets, and to pay other business expenses.

2.   Defendants also offered and sold CSD tokens by promising that, in exchange for their investment, purchasers would receive a percentage of revenues that Coinseed generated in fees associated with the purchase and sale of digital assets on its platform.

3.   Defendants offered and sold CSD tokens without registering the offering with the Commission as required by the federal securities laws, and no exemption from this registration requirement was available for the offering.

4.   In connection with their offer and sale of CSD tokens, Coinseed never provided investors with the type of material information that issuers are required to include in registration statements when soliciting public investment. Instead, investors were left to rely only on the information Defendants chose to share about Coinseed and CSD tokens.

VIOLATIONS

5.   By virtue of the foregoing conduct and as alleged further herein, Defendants Coinseed and Davaasambuu violated Sections 5(a) and (c) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e(a), 77e(c)].

6.   Unless Defendants are restrained and enjoined, they will engage in the acts, practices, transactions, and courses of business set forth in this Complaint or in acts, practices, transactions, and courses of business of similar type and object.

NATURE OF THE PROCEEDINGS AND RELIEF SOUGHT

7.   The Commission brings this action pursuant to the authority conferred upon it by Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b), 77t(d)].

8.   The Commission seeks a final judgment: (a) permanently enjoining Defendants from violating Sections 5(a) and 5(c) of the Securities Act, pursuant to Section 20(b) of the Securities Act

[15 U.S.C. § 77t(b)]; (b) ordering Defendants to disgorge their ill-gotten gains with prejudgment interest thereon, pursuant to Section 21(d)(5) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78u(d)(5)] and Sections 6501(a)(1) and (a)(3) of the National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116-283, to be codified at 15 U.S.C. §§ 78u(d)(3) and 78u(d)(7); (c) prohibiting Defendants from participating, directly or indirectly, in any offering of digital asset securities, provided, however, that such injunction shall not prevent Davaasambuu from purchasing or selling digital asset securities for his own personal account, pursuant to Sections 21(d)(5) of the Exchange Act [15 U.S.C. § 78u(d)(5)]; (d) ordering Defendants to pay civil money penalties, pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)]; and (e) ordering any other and further relief the Court may deem just and proper.

JURISDICTION AND VENUE

9.   This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)].

10.   Defendants, directly and indirectly, have made use of the means or instrumentalities of interstate commerce or of the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

11.   Venue lies in this District under Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)]. Defendants may be found in, are inhabitants of, or transact business in the Southern District of New York, and certain of the acts, practices, transactions, and courses of business alleged in this Complaint occurred within this District. At all relevant times, Coinseed's principal place of business was located in New York, New York, and Davaasambuu resided in New York, New York, and Defendants conducted the offering and sale of securities described herein while located in New York, New York.

DEFENDANTS

12.   **Coinseed** is a Delaware corporation incorporated in November 2017, with its principal place of business in New York, New York.

13.   **Davaasambuu**, age 34, is a citizen of Mongolia, and resided in New York, New York at all relevant times. Davaasambuu founded Coinseed, and he was at all relevant times and is currently Coinseed's chief executive officer ("CEO").

STATUTORY AND LEGAL FRAMEWORK

14.   Congress enacted the Securities Act to regulate the offer and sale of securities. In contrast to ordinary commercial principles of caveat emptor, Congress enacted a regime of full and fair disclosure, requiring a company (an issuer) and its control persons who offer and sell securities to the investing public to provide sufficient, accurate information to allow investors to make informed decisions before they invest.

15.   Section 5(a) of the Securities Act [15 U.S.C. § 77e(a)] provides that, unless a registration statement is in effect as to a security or an exemption from registration applies, it is unlawful for any person, directly or indirectly, to sell securities in interstate commerce. Section 5(c) of the Securities Act [15 U.S.C. § 77e(c)] provides a similar prohibition against offers to sell or offers to buy, unless a registration statement has been filed. Thus, Sections 5(a) and 5(c) of the Securities Act prohibit the unregistered offer or sale of securities in interstate commerce absent an applicable exemption.

16.   Registration statements relating to an offering of securities provide public investors with material information about the issuer and the offering, including financial and managerial information, how the issuer will use the offering proceeds, and the risks that affect the enterprise and an investment in its securities.

17.   The definition of "security" under the Securities Act includes a wide range of

investment vehicles, including "investment contracts." An investment contact exists when there is an investment of money in a common enterprise with a reasonable expectation of profits to be derived from the efforts of others.

18.   In addition to traditional instruments like stocks and bonds, courts have found that novel or unique investment vehicles constitute investment contracts. As the Supreme Court of the United States noted in *SEC v. W.J. Howey Co.*, Congress defined "security" broadly to embody a "flexible rather than a static principle, one that is capable of adaptation to meet the countless and variable schemes devised by those who seek the use of the money of others on the promise of profits." 328 U.S. 293, 299 (1946).

BACKGROUND ON DIGITAL ASSETS AND DISTRIBUTED LEDGERS

19.   The term "digital asset" generally refers to an asset issued and/or transferred using distributed ledger or blockchain technology, including assets sometimes referred to as digital "tokens," digital "coins," "cryptocurrencies," and "virtual currencies."

20.   A blockchain or distributed ledger is a peer-to-peer database spread across a network of computers that records all transactions in theoretically unchangeable, digitally recorded data packages. The system relies on cryptographic techniques for secure recording of transactions.

21.   Entities have offered and sold digital assets in fundraising events, often called initial coin offerings, or ICOs, in exchange for consideration.

22.   Issuers of digital assets typically release a "whitepaper" or marketing materials describing the project and the terms of the offering. To participate, investors typically transfer consideration—in the form of fiat currency or other digital assets—to the issuer's accounts. After completion of the offering, the issuer will deliver its unique digital asset to the participant's unique address on a distributed ledger or blockchain.

23.   On July 25, 2017, the Commission issued the *Report of Investigation Pursuant to Section*

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