

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17335**

**SecondMarket, Inc. and Bitcoin Investment Trust (BIT) Settle Charges Relating to Unlawful Redemptions of BIT Shares during a Continuous Distribution**

**July 11, 2016** – The Securities and Exchange Commission today announced that SecondMarket, Inc., a New York broker-dealer registered with the Commission, and Bitcoin Investment Trust (BIT), a Delaware trust whose sole assets are bitcoins, have agreed to settle charges that they respectively violated Rules 101 and 102 of Regulation M under the Securities Exchange Act of 1934 in connection with their purchases of BIT shares during a continuous distribution.

The SEC's Rule 101 of Regulation M prohibits distribution participants and their affiliated purchasers from purchasing any security that is the subject of a distribution until after the applicable restricted period. Rule 102 prohibits the same activity by issuers, selling security holders, and their affiliated purchasers.

An SEC investigation found that on September 25, 2013, BIT began offering its shares to accredited investors on a continuous basis pursuant to Rule 506(c) of Regulation D under the Securities Act of 1933. Because of the size of the offering and the special selling efforts and methods used to facilitate the offering, the offering constituted a distribution. On March 19, 2014, BIT announced to shareholders that it would implement a shareholder redemption program for shares redeemed within one year of purchase. On April 1, 2014, through its affiliate and Authorized Participant (AP) SecondMarket, BIT began accepting orders to redeem shares from BIT shareholders. Between April 2 and September 4, 2014, SecondMarket, as BIT's AP, purchased 85,721 BIT shares from BIT shareholders and earned redemption fees. These purchases of BIT shares occurred during a continuous distribution of BIT shares and, therefore, violated Rule 101 of Regulation M under the Exchange Act.

The SEC's investigation further found that, from the time BIT was formed, SecondMarket could redeem shares (purchased in its capacity as BIT's AP and for its own proprietary account) without any restrictions. Between November 4, 2013 and September 4, 2014, BIT purchased 6,479 BIT shares from SecondMarket. BIT's purchases occurred during a continuous distribution of BIT shares and, therefore, violated Rule 102 of Regulation M under the Exchange Act.

The SEC's order finds that SecondMarket violated Rule 101 and BIT violated Rule 102 of Regulation M under the Exchange Act. Without admitting or denying the findings, SecondMarket and BIT agreed to a cease-and-desist order against future violations of Rules 101 and 102 of Regulation M of the Exchange Act respectively. SecondMarket also agreed to pay disgorgement of \$51,650.11 in redemption fees it collected, plus prejudgment interest of \$2,105.68, for a total of \$53,755.79. In determining to accept their offers of settlement, the SEC considered SecondMarket's and BIT's reliance on counsel regarding the development and implementation of BIT's shareholder redemption program.

The SEC's investigation was conducted by Daphna A. Waxman and Valerie A. Szczepanik and was supervised by Lara S. Mehraban, all of the New York Regional Office. An SEC

examination of SecondMarket that led to the investigation was conducted by members of the New York office's broker-dealer examination staff.

**See also:** [Order](#)