

Healthcare Blockchain Company Fined for Non-Compliance



Using blockchain technology for crowdfunding activities is now commonplace. However, a U.S. healthcare blockchain company has been slapped **fin**es by the federal government for selling cryptocurrencies ("tokens") to the public in unregistered transactions.

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The New England-based SimplyVital Health, Inc. raised nearly \$6.3 million from the unlawful token sale, made from September 2017 until April 2018, according to the [U.S. Securities and Exchange Commission \(SEC\)](#).

SimplyVital first announced in late 2017 that it would conduct an "Initial Coin Offering", or "ICO", to raise funds for its project Health Nexus, a **healthcare-related blockchain ecosystem**. The ICO consisted of a new token known as Health Cash, or HLTH, which the company said would be used as currency in the Health Nexus. At the same time, SimplyVital announced its plan to conduct a "pre-sale" of its HLTH [tokens](#), in which it offered investors Simple Agreements for Future Tokens (SAFTs). Through the SAFTs, investors agreed that HLTH tokens would not be delivered to them unless and until created by SimplyVital.

However, according to the SEC, SimplyVital **did not file a registration statement** with the Commission or qualify for an exemption from registration before offering and selling HLTH to the public through the SAFTs. The SEC further said that SimplyVital, after concluding its pre-sale in April 2018, eventually decided not to offer and sell HLTH tokens during its scheduled ICO.

As the Commission noted, in 2019, SimplyVital **voluntarily returned to investors** substantially all of the funds raised during its pre-sale. Based on the SEC investigation, SimplyVital [failed to comply](#) with the registration provisions of Sections 5(a) and (c) of the Securities Act of 1933. Even without admitting or denying the SEC's findings, SimplyVital adhered to a cease-and-desist order issued by the Commission.

Source: U.S. SEC
Image credit: iStock

Published on : Tue, 20 Aug 2019