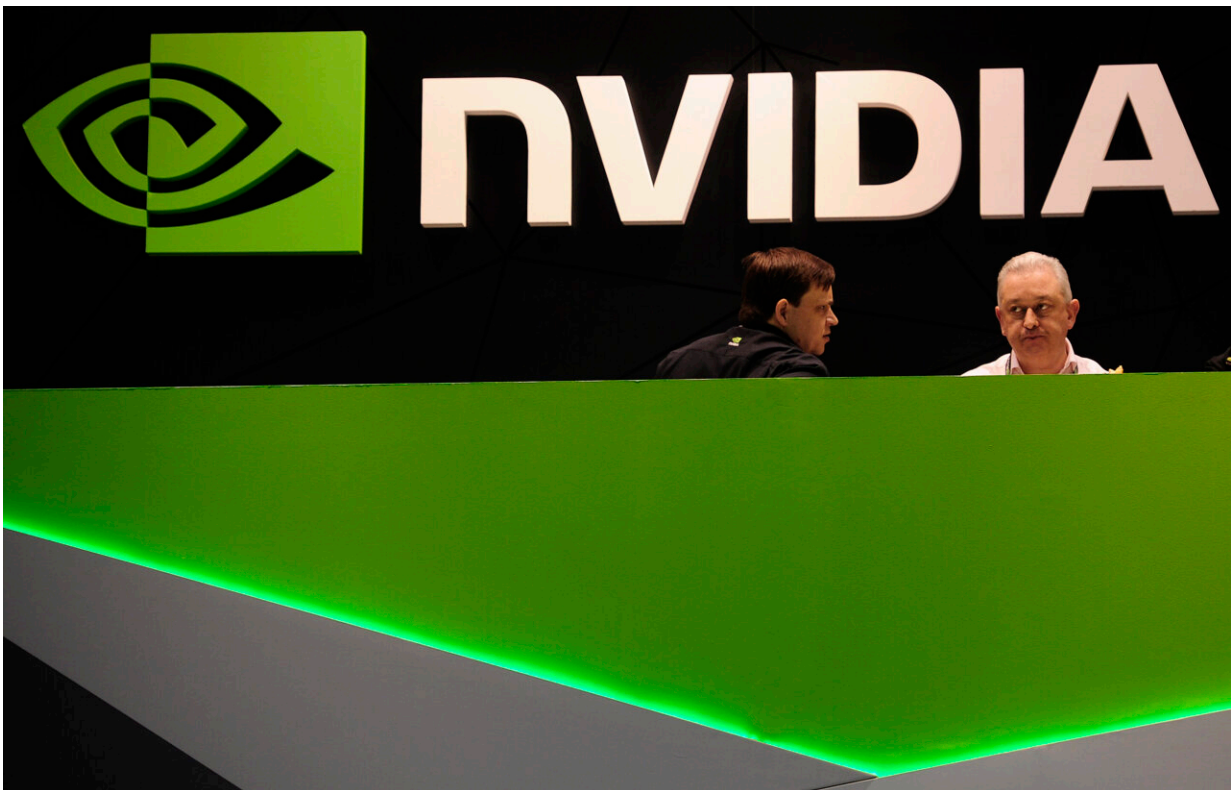


SEC: Nvidia failed to disclose crypto as revenue generator

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People gather in the Nvidia booth at the Mobile World Congress mobile phone trade show Thursday, Feb. 27, 2014 in Barcelona, Spain. The Securities and Exchange Commission says it's settled charges against Nvidia, Friday, May 6, 2022, for "inadequate disclosures" related to cryptomining's impact on its gaming business. The technology company will pay a \$5.5 million penalty and has agreed to a cease-and-desist order. Credit: AP Photo/Manu Fernandez, File

Nvidia, a major tech company that has expanded aggressively into gaming, will pay a \$5.5 million penalty for failing to disclose that cryptomining was a significant source of revenue growth from the sale of graphics processing units that were produced and marketed for gaming.

Cryptocurrencies are extremely volatile and the U.S Securities and Exchange Commission said Friday that the Santa Clara, California [company](#) did not disclose to investors in 2018 the potential future risks of such sales.

"Nvidia's disclosure failures deprived investors of critical information to evaluate the company's [business](#) in a key market," said Kristina Littman, Chief of the SEC Enforcement Division's Crypto Assets and Cyber Unit.

The company has also agreed to a cease-and-desist order, the SEC said. Nvidia did not admit or deny the SEC's findings, and declined to comment Friday.

Cryptominers are compensated for verifying [crypto](#) transactions. As the crypto craze began to spread in 2017, Nvidia's graphics processing units that were designed and marketed for gaming were increasingly used by Nvidia's customers to mine cryptocurrency, according to the SEC.

The company reported material revenue growth in its gaming business in 2018 and knew those sales were "driven in significant part by cryptomining," but it did not disclose that in regulatory filings available to investors, the SEC said.

"These significant earnings and cash flow fluctuations related to a volatile business for [investors](#) to ascertain the likelihood that past performance was indicative of future performance," the SEC said.

Crypto currencies are a wildly volatile market. Price for bitcoin, a more stable cryptocurrency compared with a myriad of others, rocketed from about \$35,000 each in January, to nearly \$48,000 by March. That price by Friday had tumbled again to around \$36,000.

The SEC said Nvidia's failures to disclose its impact of cryptocurrency on gaming sales were particularly misleading because the company did disclose that other parts of its business were thriving due to demand for crypto, "creating the impression that the company's gaming business was not significantly affected by cryptomining."

Nvidia Corp. reports first quarter earnings later this month.

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