

## Press Release

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# SEC Charges Crypto Entrepreneur Justin Sun and his Companies for Fraud and Other Securities Law Violations

## Eight celebrities also charged for illegal touting of Sun's crypto asset securities

### FOR IMMEDIATE RELEASE

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*Washington D.C., March 22, 2023* — The Securities and Exchange Commission today announced charges against crypto asset entrepreneur Justin Sun and three of his wholly-owned companies, Tron Foundation Limited, BitTorrent Foundation Ltd., and Rainberry Inc. (formerly BitTorrent), for the unregistered offer and sale of crypto asset securities Tronix (TRX) and BitTorrent (BTT). The SEC also charged Sun and his companies with fraudulently manipulating the secondary market for TRX through extensive wash trading, which involves the simultaneous or near-simultaneous purchase and sale of a security to make it appear actively traded without an actual change in beneficial ownership, and for orchestrating a scheme to pay celebrities to tout TRX and BTT without disclosing their compensation.

The SEC simultaneously charged the following eight celebrities for illegally touting TRX and/or BTT without disclosing that they were compensated for doing so and the amount of their compensation.

- Lindsay Lohan
- Jake Paul
- DeAndre Cortez Way (Soulja Boy)
- Austin Mahone

- Michele Mason (Kendra Lust)
- Miles Parks McCollum (Lil Yachty)
- Shaffer Smith (Ne-Yo)
- Aliaune Thiam (Akon)

The SEC's complaint, filed in U.S. District Court for the Southern District of New York, alleges that Sun and his companies offered and sold TRX and BTT as investments through multiple unregistered "bounty programs," which directed interested parties to promote the tokens on social media, join and recruit others to Tron-affiliated Telegram and Discord channels, and create BitTorrent accounts in exchange for TRX and BTT distributions. The complaint further alleges that Sun, BitTorrent Foundation, and Rainberry offered and sold BTT in unregistered monthly airdrops to investors, including in the United States, who purchased and held TRX in Tron wallets or on participating crypto asset trading platforms. According to the complaint, each of these unregistered offers and sales violated Section 5 of the Securities Act.

The Commission also alleges that Sun violated the antifraud and market manipulation provisions of the federal securities laws by orchestrating a scheme to artificially inflate the apparent trading volume of TRX in the secondary market. From at least April 2018 through February 2019, Sun allegedly directed his employees to engage in more than 600,000 wash trades of TRX between two crypto asset trading platform accounts he controlled, with between 4.5 million and 7.4 million TRX wash traded daily. This scheme required a significant supply of TRX, which Sun allegedly provided. As alleged, Sun also sold TRX into the secondary market, generating proceeds of \$31 million from illegal, unregistered offers and sales of the token.

"This case demonstrates again the high risk investors face when crypto asset securities are offered and sold without proper disclosure," said SEC Chair Gary Gensler. "As alleged, Sun and his companies not only targeted U.S. investors in their unregistered offers and sales, generating millions in illegal proceeds at the expense of investors, but they also coordinated wash trading on an unregistered trading platform to create the misleading appearance of active trading in TRX. Sun further induced investors to purchase TRX and BTT by orchestrating a promotional campaign in which he and his celebrity promoters hid the fact that the celebrities were paid for their tweets."

"While we're neutral about the technologies at issue, we're anything but neutral when it comes to investor protection," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "As alleged in the complaint, Sun and others used an age-old playbook to mislead and

harm investors by first offering securities without complying with registration and disclosure requirements and then manipulating the market for those very securities. At the same time, Sun paid celebrities with millions of social media followers to tout the unregistered offerings, while specifically directing that they not disclose their compensation. This is the very conduct that the federal securities laws were designed to protect against regardless of the labels Sun and others used.”

With the exception of Cortez Way and Mahone, the celebrities charged today agreed to pay a total of more than \$400,000 in disgorgement, interest, and penalties to settle the charges, without admitting or denying the SEC’s findings.

The SEC’s investigation was conducted by Adam B. Gottlieb, Ann Rosenfield, John Lucas, and John Marino. It was supervised by Paul Kim, Michael Brennan, Jorge G. Tenreiro, and David Hirsch. The SEC’s litigation will be led by Timothy Halloran and Mr. Gottlieb, under the supervision of Melissa Armstrong.

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## Related Materials

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- [SEC Complaint](#)
- [SEC Order - Lohan](#)
- [SEC Order - Mason](#)
- [SEC Order - McCollum](#)
- [SEC Order - Paul](#)
- [SEC Order - Smith](#)
- [SEC Order - Thiam](#)