Press Release

Telegram to Return $1.2 Billion to Investors and Pay $18.5 Million Penalty to Settle SEC Charges

FOR IMMEDIATE RELEASE
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Washington D.C., June 26, 2020 — The Securities and Exchange Commission announced today that it obtained court approval of settlements with Telegram Group Inc. and its wholly owned subsidiary TON Issuer Inc. to resolve charges that Telegram's unregistered offering of digital tokens called "Grams" violated the federal securities laws. The defendants agreed to return more than $1.2 billion to investors and to pay an $18.5 million civil penalty.

On Oct. 11, 2019, the SEC filed a complaint against Telegram, alleging that the company had raised capital to finance its business by selling approximately 2.9 billion Grams to 171 initial purchasers worldwide. The SEC sought to preliminarily enjoin Telegram from delivering the Grams it sold, which the SEC alleged were securities that had been offered and sold in violation of the registration requirements of the federal securities laws. On March 24, 2020, the U.S. District Court for the Southern District of New York issued a preliminary injunction barring the delivery of Grams and finding that the SEC had shown a substantial likelihood of proving that Telegram's sales were part of a larger scheme to unlawfully distribute the Grams to the secondary public market.

"New and innovative businesses are welcome to participate in our capital markets but they cannot do so in violation of the registration requirements of the federal securities laws," said Kristina Littman, Chief of the SEC Enforcement Division's Cyber Unit. "This settlement requires Telegram to return funds to investors, imposes a significant penalty, and requires Telegram to give notice of future digital offerings."

"Our emergency action protected retail investors from Telegram's attempt to flood the markets with securities sold in an unregistered offering without providing full disclosures concerning their project," said Lara Shalov Mehraban, Associate Regional Director of the New York Regional Office. "The remedies we obtained provide significant relief to investors and protect retail investors from future illegal offerings by Telegram."

Without admitting or denying the allegations in the SEC's complaint, the defendants consented to entry of a final judgment enjoining them from violating the registration provisions of Sections 5(a) and 5(c) of the Securities Act of 1933. The judgment orders defendants to disgorge, on a joint and several basis, $1,224,000,000 in ill-gotten gains from the sale of Grams, with credit for the amounts Telegram pays back to initial purchasers of Grams, and also orders Telegram Group Inc. to pay a civil penalty of $18,500,000. Telegram is further required, for the next three years, to give notice to the SEC staff before participating in the issuance of any digital assets.

The SEC's litigation was conducted by Jorge G. Tenreiro, Kevin P. McGrath, and Ladan F. Stewart of the New York Regional Office, Alison Levine of the Cyber Unit, and Hope Augustini of the SEC's Office of the General Counsel. The investigation was conducted by Daphna A. Waxman, Morgan B. Ward Doran, and John O. Enright of the Cyber Unit. The case was supervised by Ms. Littman and Ms. Mehraban.

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