

Press Release

SEC Halts Fraudulent Scheme Involving Unregistered ICO

FOR IMMEDIATE RELEASE

2018-53

Washington D.C., April 2, 2018 — The Securities and Exchange Commission today charged two co-founders of a purported financial services start-up with orchestrating a fraudulent initial coin offering (ICO) that raised more than \$32 million from thousands of investors last year. Criminal authorities separately charged and arrested both defendants.

The SEC's complaint alleges that Sohrab "Sam" Sharma and Robert Farkas, co-founders of Centra Tech. Inc., masterminded a fraudulent ICO in which Centra offered and sold unregistered investments through a "CTR Token." Sharma and Farkas allegedly claimed that funds raised in the ICO would help build a suite of financial products. They claimed, for example, to offer a debit card backed by Visa and MasterCard that would allow users to instantly convert hard-to-spend cryptocurrencies into U.S. dollars or other legal tender. In reality, the SEC alleges, Centra had no relationships with Visa or MasterCard. The SEC also alleges that to promote the ICO, Sharma and Farkas created fictional executives with impressive biographies, posted false or misleading marketing materials to Centra's website, and paid celebrities to tout the ICO on social media.

According to the complaint, Farkas made flight reservations to leave the country, but was arrested before he was able to board his flight. Criminal authorities also arrested Sharma.

"We allege that Centra sold investors on the promise of new digital technologies by using a sophisticated marketing campaign to spin a web of lies about their supposed partnerships with legitimate businesses," said Stephanie Avakian, Co-Director of the SEC's Division of Enforcement. "As the complaint alleges, these and other claims were simply false."

"As we allege, the defendants relied heavily on celebrity endorsements and social media to market their scheme," said Steve Peikin, Co-Director of the SEC's Division of Enforcement. "Endorsements and glossy marketing materials are no substitute for the SEC's registration and disclosure requirements as well as diligence by investors."

The SEC's complaint, filed in federal court in the Southern District of New York, charges Sharma and Farkas with violating the anti-fraud and registration provisions of the federal securities laws. The complaint seeks permanent injunctions, return of allegedly ill-gotten gains plus interest and penalties, as well as bars against Sharma and Farkas serving as public company officers or directors and from participating in any offering of digital or other securities. In a parallel action, the U.S. Attorney's Office for the Southern District of New York today announced criminal charges against Sharma and Farkas.

The SEC's investigation, which is continuing, is being conducted by Jon A. Daniels, Luke M. Fitzgerald, and Alison R. Levine of the SEC's Cyber Unit and New York Regional Office, and supervised by Valerie A. Szczepanik and Robert A. Cohen. The litigation is being conducted by Mr. Daniels, Mr. Fitzgerald, and Ms. Levine, and supervised by Ms. Szczepanik. The SEC appreciates the assistance of the U.S. Attorney's Office for the Southern District of New York, the Federal Bureau of Investigation, and the Financial Industry Regulatory Authority.

Investors in the Centra ICO who believe they may be a victim should contact www.SEC.gov/tcr. The SEC's Office of Investor Education and Advocacy has issued an [Investor Bulletin](#) on initial coin offerings and additional information is available on Investor.gov and SEC.gov.

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Related Materials

- [SEC Complaint](#)