

Press Release

SEC Halts Alleged Initial Coin Offering Scam

FOR IMMEDIATE RELEASE

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Washington D.C., Jan. 30, 2018 — The Securities and Exchange Commission obtained a court order halting an allegedly fraudulent initial coin offering (ICO) that targeted retail investors to fund what it claimed to be the world's first “decentralized bank.”

According to the SEC's complaint, filed in federal district court in Dallas on Jan. 25 and unsealed late yesterday, Dallas-based AriseBank used social media, a celebrity endorsement, and other wide dissemination tactics to raise what it claims to be \$600 million of its \$1 billion goal in just two months.

AriseBank and its co-founders Jared Rice Sr. and Stanley Ford allegedly offered and sold unregistered investments in their purported “AriseCoin” cryptocurrency by depicting AriseBank as a first-of-its-kind decentralized bank offering a variety of consumer-facing banking products and services using more than 700 different virtual currencies. AriseBank's sales pitch claimed that it developed an algorithmic trading application that automatically trades in various cryptocurrencies.

The SEC alleges that AriseBank falsely stated that it purchased an FDIC-insured bank which enabled it to offer customers FDIC-insured accounts and that it also offered customers the ability to obtain an AriseBank-branded VISA card to spend any of the 700-plus cryptocurrencies. AriseBank also allegedly omitted to disclose the criminal background of key executives.

“We allege that AriseBank and its principals sought to raise hundreds of millions from investors by misrepresenting the company as a first-of-its-kind decentralized bank offering its own cryptocurrency to be used for a broad range of customer products and services. We sought emergency relief to prevent investors from being victimized by what we allege to be an outright scam,” said Stephanie Avakian, Co-Director of the SEC's Enforcement Division.

“This is the first time the Commission has sought the appointment of a receiver in connection with an ICO fraud. We will use all of our tools and remedies to protect investors from those who engage in fraudulent conduct in the emerging digital securities marketplace,” said Steven Peikin, Co-Director of the SEC's Enforcement Division.

Shamoi T. Shipchandler, Director of the SEC's Fort Worth Regional Office, said, “Attempting to conceal what we allege to be fraudulent securities offerings under the veneer of technological terms like ‘ICO’ or ‘cryptocurrency’ will not escape the Commission's oversight or its efforts to protect investors.”

The court approved an emergency asset freeze over AriseBank, Rice, and Ford and appointed a receiver over AriseBank, including over its digital assets. The SEC intervened to protect the digital assets before they could be dissipated, enabling the receiver to immediately secure various cryptocurrencies held by Arise [Return to Top](#) including Bitcoin, Litecoin, Bitshares, Dogecoin, and BitUSD. AriseCoin's public sale began around Dec. 26, 2017, and was originally scheduled to conclude on Jan. 27, 2018, with distribution to investors on Feb. 10, 2018. The SEC seeks preliminary and permanent injunctions, disgorgement of ill-gotten gains plus interest and penalties, and bars against Rice and Ford to prohibit them from serving as officers or directors of a public company or offering digital securities again in the future.

The SEC's investigation was conducted by David Hirsch and supervised by Jessica Magee and Eric Werner in the Fort Worth Regional Office in coordination with the Enforcement Division's Cyber Unit. The litigation is being conducted by Timothy Evans, Christopher Davis, and Mr. Hirsch, and supervised by B. David Fraser. The SEC appreciates the assistance of the Federal Bureau of Investigation, U.S. Attorney's Office for the

Northern District of Texas, Federal Deposit Insurance Corporation, U.S. Patent and Trademark Office, and Texas Department of Banking.

Investors in the AriseBank ICO who believe they may be a victim are asked to [report it to the SEC as a tip or complaint](#).

The SEC's Office of Investor Education and Advocacy issued [an Investor Alert](#) in August 2017 warning investors about scams of companies claiming to be engaging in initial coin offerings.

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- [SEC Complaint](#)