

Speech

Remarks on the Establishment of the Task Force on Market Integrity and Consumer Fraud



Chairman Jay Clayton

Washington D.C.

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Thank you for inviting me to say a few words about the importance of this Task Force.^[1] I commend the President and the Attorney General for their leadership in this area. Serving and protecting Main Street investors is my main priority at the SEC. We recognize that close partnerships with our fellow regulators and law enforcement agencies are vital to helping us detect and respond to fraud. Through a few examples, I'd like to highlight some of the work the SEC is doing to combat retail securities fraud and illustrate how important inter-agency cooperation is.

Emphasizing our Retail Enforcement Strategy

Last year our Division of Enforcement formed an internal Retail Strategy Task Force to bolster our capabilities and focus on protecting Main Street investors.^[2] This effort draws on expertise from across the SEC to develop strategies and techniques for addressing the types of misconduct that most affect retail investors. These include microcap “pump and dump” frauds, Ponzi schemes, and the sales of unsuitable complex products, which frequently target the most vulnerable members of the investing public.

In one example, last year our Enforcement Division charged 13 individuals with running a boiler-room scam targeting elderly investors, alleging that the individuals defrauded investors of \$10 million through the use of high-pressure sales tactics and lies about penny stocks.^[3] In this action, we worked with federal criminal authorities, FINRA, and state and foreign securities regulators to bring an end to the alleged fraud.^[4]

Emergency Actions

Punishing wrongdoing is important, but no more important than getting victims their money back. Our Enforcement Division has been swift in its response when it sees threats to retail investors. When our investigative teams detect possible ongoing violations and locate profits from possible fraudulent activity, the Commission often files emergency actions.

I have been at the agency for over a year now, and in that time the Commission has obtained over 20 temporary restraining orders and approximately 30 asset freezes. For example, in January of this year, the SEC shut down an alleged Initial Coin Offering scam that claimed to have raised \$600 million. Not only did we stop the alleged scheme, but we successfully prevented dissipation of investor funds by obtaining a freeze of the digital assets and a court-appointed receiver to secure various cryptocurrencies held by the defendant. Again, as with many of our matters, we are indebted to the assistance we received in that matter from federal criminal authorities and our regulatory partners.^[5]

Cyber and ICO Fraud

Finally, I believe that cyber threats present some of the greatest risks confronting today's financial markets. Increasingly, we are seeing bad actors using new technology to perpetrate frauds, including securities offering frauds. In response to these risks, last year Enforcement created a Cyber Unit to focus on cyber-related misconduct.^[6]

We have not acted alone in this area. The Commission has filed multiple actions this year concerning allegedly fraudulent Initial Coin Offerings, and has frozen tens of millions of dollars of assets raised in allegedly unregistered Initial Coin Offerings, while working in parallel with federal criminal authorities.^[7] In addition, we have worked closely with other regulators to provide clarity on the application of our laws and regulations to new and emerging products.^[8] I know cyber-enabled crime is an area of focus that the SEC shares with many others on this Task Force.

Closing

As these examples illustrate, our efforts to protect retail investors are often most effective and successful when we work collaboratively and in parallel with our law enforcement partners and fellow regulators. The SEC is proud to support this Task Force, and I again commend the President and the Attorney General for their leadership in this important effort.

[1] My views are my own, and do not necessarily reflect the views of the Commission, my fellow Commissioners, or the staff.

[2] See Press Release 2017-176, *SEC Announces Enforcement Initiatives to Combat Cyber-Based Threats and Protect Retail Investors* (Sept. 25, 2017), available at <https://www.sec.gov/news/press-release/2017-176>.

[3] See Press Release 2017-124, *SEC Announces Charges in Massive Telemarketing Boiler Room Scheme Targeting Seniors* (July 12, 2017), <https://www.sec.gov/news/press-release/2017-124>.

[4] Earlier this year we also charged a pastor who we allege preyed on elderly victims by giving them false assurances while selling them worthless bonds. In reality these bonds were just collectible memorabilia with no meaningful investment value. See Press Release 2018-51, *SEC Charges Prominent Pastor, Financial Planner in Scheme to Defraud Elderly Investors* (Mar. 30, 2018), <https://www.sec.gov/news/press-release/2018-51>.

[5] See Press Release 2018-8, *SEC Halts Alleged Initial Coin Offering Scam* (Jan. 30, 2018), <https://www.sec.gov/news/press-release/2018-8>.

[6] See *SEC Announces Enforcement Initiatives to Combat Cyber-Based Threats and Protect Retail Investors*, *supra* note 1.

[7] See Press Release 2018-53, *SEC Halts Fraudulent Scheme Involving Unregistered ICO* (April 2, 2018); Press Release 2018-61, *SEC Obtains Emergency Freeze of \$27 Million in Stock Sales of Purported Cryptocurrency Company Longfin* (April 6, 2018); See Press Release 2018-23, *SEC Charges Former Bitcoin-Denominated Exchange and Operator With Fraud* (Feb. 21, 2018).

[8] Joint Statement by SEC and CFTC Enforcement Directors Regarding Virtual Currency Enforcement Actions (Jan. 19, 2018), available at <https://www.sec.gov/news/public-statement/joint-statement-sec-and-cftc-enforcement-directors>

Related Materials

- [Fact Sheet: How the Securities and Exchange Commission Fights Fraud, Protecting...](#)