

## [Securities Regulation Daily Wrap Up, ENFORCEMENT—D. Mass.: SEC obtains \\$52.9 million judgment against mastermind of international microcap fraud scheme, \(May 13, 2022\)](#)

Securities Regulation Daily Wrap Up

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The SEC obtained a judgment of more than \$52 million against a Canadian resident for his role in leading a sophisticated stock scheme that involved hundreds of penny stock companies.

In August 2021, the SEC charged defendant Frederick Sharp with orchestrating a fraudulent scheme that generated hundreds of millions of dollars from unlawful stock sales. Among other relief, a judgment entered May 12 orders the defendant to pay \$52,925,214 in monetary penalties and imposes a penny stock bar and a conduct-based injunction restricting his future trading in stocks (*SEC v. Sharp*, May 12, 2022, Young, W.).

**Violations.** According to the SEC's complaint, Sharp allegedly led a complex, multi-year scheme in which he and several associates provided services to various groups of control persons of publicly traded penny stock companies, which enabled such control persons to conceal their control and ownership of large amounts of penny stock and then surreptitiously dump the stock on retail investors.

The myriad services that Sharp and his associates allegedly provided included furnishing networks of offshore shell companies to conceal stock ownership, arranging stock transfers and money transmittals, and providing encrypted accounting and communications systems. According to the complaint, Sharp and his associates facilitated over a billion dollars in gross sales of stock in hundreds of penny stock companies.

Sharp's associates were also named as defendants in the SEC complaint. The litigation against the remaining defendants is ongoing.

**Sanctions.** The judgment enjoins the defendant from violating the antifraud provisions of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and the registration provisions of Section 5 of the Securities Act. The judgment also orders him to pay disgorgement and prejudgment interest of \$28,934,433 and a civil penalty of \$23,990,781. It also imposes a penny stock bar and a conduct-based injunction restricting his future trading in stocks.

The case is [No. 21-cv-11276-WGY](#).

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