

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11171 / March 22, 2023**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21347**

**In the Matter of**  
  
**Jake Joseph Paul**  
  
**Respondent.**

**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), against Jake Joseph Paul (“Paul” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that:

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## Summary

1. On February 12, 2021, Paul—a well-known internet personality and professional boxer—touted on social media a crypto asset security that was being offered and sold. Paul did not disclose that he was being paid to give publicity to such security by the entity offering and selling it to the public. Paul’s failure to disclose this compensation violated Section 17(b) of the Securities Act, which makes it unlawful for any person to promote a security without fully disclosing the receipt and amount of such compensation from an issuer.

## Respondent

2. **Paul**, age 26, is a resident of Puerto Rico.

## Facts

3. In February 2021, Paul promoted a crypto asset security on Twitter in exchange for a payment of crypto assets, valued at approximately \$25,019. Paul, at the time of his promotion, had approximately 3.8 million Twitter followers.

4. Specifically, Paul promoted a security being publicly offered by Tron Foundation Limited (“Tron”), and Tron’s owner and control person Yuchen (Justin) Sun (“Sun”), called “Tronix” tokens (“TRX”). TRX tokens are offered and sold as investment contracts, and therefore constitute securities pursuant to Section 2(a)(1) of the Securities Act.

5. From August 2017 to the present, Tron and Sun have engaged in the continuous public offer and sale of TRX tokens. Based on Tron’s and Sun’s offering materials and public statements, purchasers of TRX tokens would have had a reasonable expectation of profits from their investment in the tokens. Tron and Sun explicitly promoted TRX as an investment and touted the potential for significant returns to investors through buying, holding, and trading TRX tokens. Tron and Sun worked to list TRX on numerous crypto asset trading platforms, including within the United States, and publicly encouraged investors to purchase TRX through the new venues. Tron and Sun routinely touted the market capitalization, price, and trading volume of TRX, and published articles advising followers of purportedly opportunistic times to “invest” in TRX.

6. Based on Tron’s and Sun’s public statements, purchasers of the TRX tokens would have had a reasonable expectation that Tron and Sun would expend significant efforts to develop the Tron platform and a secondary trading market for TRX, which would increase the value of TRX tokens and drive investor profits. Tron’s offering materials and marketing communications highlighted that the value of TRX depended entirely on Tron’s efforts to develop and grow the Tron platform and drive demand for the token, thereby increasing its price on the secondary market. Tron’s social media accounts and websites highlighted its profitability, accelerated growth, and the team’s credentials and experience to demonstrate that the company would be able to implement its business plan effectively.

7. Paul promoted the TRX offering on social media by posting the following to his Twitter account on February 12, 2021:



8. Tron, through an intermediary, paid Paul in crypto assets, valued at approximately \$25,019, for this promotion and provided Paul with the specific language to include in the Tweet. Paul did not disclose that he had been paid by Tron, or the amount of compensation he received from Tron and Sun for promoting the TRX offering on Twitter.

9. Paul's crypto asset security promotion occurred after the Commission warned in its July 25, 2017, DAO Report of Investigation that digital tokens or coins offered and sold may be securities, and those who offer and sell securities in the United States must comply with the federal securities laws.<sup>2</sup> The promotion also occurred nearly four years after the Commission's Division of Enforcement and Office of Compliance Inspections and Examinations issued a statement reminding market participants that "[a]ny celebrity or other individual who promotes a virtual token or coin that is a security must disclose the nature, scope, and amount of compensation received in exchange for the promotion. A failure to disclose this information is a violation of the anti-touting provisions of the federal securities laws."<sup>3</sup>

### **Paul Violated Section 17(b) of the Securities Act**

10. Section 17(b) of the Securities Act makes it unlawful for any person to: publish, give publicity to, or circulate any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, describes such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter, or dealer, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

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<sup>2</sup> Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO, Exchange Act Rel. No. 81207 (July 25, 2017).

<sup>3</sup> See SEC Staff Statement Urging Caution Around Celebrity Backed ICOs (Nov. 1, 2017), available at <https://www.sec.gov/news/public-statement/statement-potentially-unlawful-promotion-icos>.

11. Paul violated Section 17(b) of the Securities Act by touting the TRX token offering on his Twitter account without disclosing that he received compensation from the issuer for doing so, and the amount of the consideration.

### **Disgorgement and Civil Penalties**

12. The disgorgement and prejudgment interest ordered in paragraph IV.C is consistent with equitable principles and does not exceed Respondent's net profits from his violations and will be distributed to harmed investors, if feasible. The Commission will hold funds paid pursuant to paragraph IV.C in an account at the United States Treasury pending a decision whether the Commission in its discretion will seek to distribute funds. If a distribution is determined feasible and the Commission makes a distribution, upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

### **Undertakings**

13. Respondent has undertaken to:

- a. for a period of three (3) years from the date of this Order, forgo receiving or agreeing to receive any form of compensation or consideration, directly or indirectly, from any issuer, underwriter, or dealer, for directly or indirectly publishing, giving publicity to, or circulating any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a crypto asset security for sale, describes such crypto asset security; and
- b. continue to cooperate with the Commission's investigation in this matter.

14. In determining whether to accept the Offer, the Commission has considered these undertakings.

## **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent cease and desist from committing or causing any violations and any future violations of Section 17(b) of the Securities Act.

B. Respondent shall comply with the undertakings enumerated in Section III, paragraph 13(a) above.

C. Respondent shall, within 20 days of the entry of this Order, pay disgorgement of \$25,019, prejudgment interest of \$1,811, and a civil money penalty in the amount of \$75,057 to the Securities and Exchange Commission. The Commission may distribute the funds paid pursuant to this paragraph if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

D. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Jake Joseph Paul as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to David Hirsch, Chief, Crypto Assets and Cyber Unit, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this

action (“Penalty Offset”). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman  
Secretary