SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

INVESTMENT ADVISERS ACT OF 1940
Release No. 6267 / March 29, 2023

Admin. Proc. File No. 3-20208

In the Matter of

REGINALD BUDDY RINGGOLD, III, *aka* RASOOL ABDUL RAHIM EL

OPINION OF THE COMMISSION

INVESTMENT ADVISER PROCEEDING

Grounds for Remedial Action

Injunction

Respondent was permanently enjoined from violations of the antifraud and registration provisions of the federal securities laws. *Held*, it is in the public interest to bar respondent from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

APPEARANCES:

Daniel Blau for the Division of Enforcement.

On January 21, 2021, we instituted an administrative proceeding against Reginald Buddy Ringgold, III, *aka* Rasool Abdul Rahim El ("Ringgold") pursuant to Section 203(f) of the Investment Advisers Act of 1940.[1] We now find Ringgold to be in default, deem the allegations against him to be true, and bar him from the securities industry.

I. Background

A. The Commission instituted the proceeding against Ringgold.

The order instituting proceedings ("OIP") alleged that, from April 2018 until March 2019, Ringgold acted as founder and chief executive officer of Blockvest LLC, which purported to provide "cryptocurrency-related financial products and services for which it raised funds through the sale of digital tokens known as 'BLVs.'"[2] The OIP alleged that, during this same time frame, Ringgold also controlled affiliated entities that he founded, including Rosegold Investments LLP ("Rosegold") and the Blockchain Exchange Commission ("BEC"). The OIP alleged that, although Ringgold was not registered with the Commission or associated with firms in the securities industry, he purported to offer investment advisory services through Rosegold and Blockvest. According to the OIP, Ringgold through Rosegold advised clients about investments in digital asset securities; offered and sold BLVs to at least sixteen Rosegold clients; and through Blockvest purported to offer BLV tokenholders an "Analytical and Management Interface" through which tokenholders would receive "investment portfolio structuring and management" services.

The OIP further alleged that, on December 15, 2020, a federal district court entered a final judgment permanently enjoining Ringgold from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder.[3] According to the OIP, the Commission's complaint in the district court action alleged that, from April 2018 to October 2018, Ringgold solicited investors, including Rosegold clients, for a planned $100 million initial coin offering ("ICO") of BLV tokens, scheduled for December 2018.[4] The complaint further alleged that Blockvest and

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1 *Reginald Buddy Ringgold, III*, Advisers Act Release No. 5671, 2021 WL 221887 (Jan. 21, 2021).

2 *Id.* at *1.

3 15 U.S.C. §§ 77e(a), (c), 77q(a), 78j(b); 17 C.F.R. § 240.10b-5. The court also ordered that Ringgold and Blockvest jointly-and-severally disgorge $332,370.99, plus prejudgment interest, which represented the total investments raised; and that Ringgold pay a third-tier civil penalty of $332,370.99. Amended Final Judgment, *SEC v Blockvest, LLC*, No. 3:18-cv-02287-GPC-MSB (S.D. Cal. Dec. 15, 2020), https://www.sec.gov/files/judg18-cv-02287ringgold.pdf.

4 *Ringgold*, 2021 WL 221887, at *1; *see also* Complaint, *SEC v. Blockvest, LLC*, No. 3:18-cv-02287-GPC-BLM (S.D. Cal. Oct. 3, 2018), https://www.sec.gov/litigation/complaints/2018/comp24314.pdf.

Ringgold promoted the ICO, and engaged in pre-ICO sales, through a series of misrepresentations and deceptive conduct designed to create the impression that government regulators had "approved" Blockvest's offering or its planned financial products, including by using the SEC seal in their promotional materials and creating a fictitious regulatory agency, the BEC.

The OIP initiated proceedings to determine whether the allegations contained therein were true and if any remedial action was appropriate in the public interest. It directed Ringgold to file an answer to the allegations within 20 days after service, as provided by Rule of Practice 220(b).[5] The OIP informed Ringgold that if he failed to answer, he could be deemed in default, the allegations in the OIP could be deemed to be true as provided in the Rules of Practice, and the proceeding could be determined against him upon consideration of the OIP.[6]

B. Ringgold failed to answer the OIP, respond to an order to show cause why he should not be found in default, or respond to a motion for a default and sanctions.

Ringgold was properly served with the OIP on August 8, 2021, pursuant to Rule of Practice 141(a)(2)(i),[7] but did not respond. On April 4, 2022, more than 20 days after service, the Commission ordered Ringgold to show cause by April 18, 2022, why it should not find him in default due to his failure to file an answer or otherwise to defend this proceeding.[8] The show cause order warned Ringgold that, if the Commission found him in default, the allegations in the OIP would be deemed to be true and the Commission could determine the proceeding against him upon consideration of the record. The order directed the Division of Enforcement to file a motion for entry of an order of default and the imposition of remedial sanctions by May 16, 2022, in the event that Ringgold failed to respond to the show cause order.

After Ringgold failed to answer the OIP or respond to the show cause order, the Division filed a motion requesting that the Commission find Ringgold in default and bar him from associating in the securities industry. In support of its motion, the Division included the district court's (i) amended final judgment, and (ii) order entering default judgment against Ringgold as a sanction for bad conduct during litigation. Ringgold has not responded to the Division's motion.

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5 17 C.F.R. § 201.220(b).

6 *See* Rules of Practice 155(a), 220(f), 17 C.F.R. §§ 201.155(a), .220(f).

7 17 C.F.R. § 201.141(a)(2)(i) (providing that service of an OIP on an individual may be made by "leaving a copy at the individual's dwelling house or usual place of abode with some person of suitable age and discretion then residing therein").

8 *Reginald Buddy Ringgold, III*, Advisers Act Release No. 5992, 2022 WL 1014886 (Apr. 4, 2022).

II. Analysis

A. We hold Ringgold in default and deem the OIP's allegations to be true.

Rule of Practice 155(a) provides that if a party fails to "answer, to respond to a dispositive motion within the time provided, or otherwise to defend the proceeding," we may deem the party in default and "determine the proceeding against that party upon consideration of the record, including the order instituting proceedings, the allegations of which may be deemed to be true."[9] Because Ringgold has failed to answer or to respond to the show cause order or the Division's motion, we find it appropriate to deem him in default and to deem the allegations of the OIP to be true. We base the findings that follow on the record, including the OIP and evidentiary materials that the Division submitted with its motion for default and sanctions.

B. Collateral estoppel applies to the default judgment in the underlying civil action.

The doctrine of collateral estoppel precludes the Commission from reconsidering a district court's injunction, as well as factual and procedural issues that were actually litigated and necessary to the court's decision to issue the injunction.[10] Under this doctrine, a default judgment entered by a district court generally "lacks preclusive effect because the underlying merits of the case are not actually litigated."[11] But "where the default judgment is entered as a

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[9] 17 C.F.R. § 201.155(a); *see also* Rule of Practice 220(f), 17 C.F.R. § 201.220(f) (providing that "[i]f a respondent fails to file an answer required by this section within the time provided, such respondent may be deemed in default pursuant to" Rule of Practice 155(a)).

[10] *Sherwin Brown*, Advisers Act Release No. 3217, 2011 WL 2433279, at *4 (June 17, 2011); *see also Blinder, Robinson & Co., Inc.*, Exchange Act Release No. 23913, 1986 WL 628577, at *4 (Dec. 19, 1986) ("'Collateral estoppel . . . has the dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party . . . and of preventing needless litigation. . . . Under the doctrine of collateral estoppel, . . . the second action is [based] upon a different cause of action and the judgment in the prior suit precludes relitigation of issues actually litigated and necessary to the outcome of the first action.'" (quoting *Parklane Hoisery Co., Inc. v. Shore*, 439 U.S. 322, 326 and n.5 (1979))), *vacated and remanded on other grounds*, 837 F.2d 1099 (D.C. Cir. 1988).

[11] *In re Snyder*, 939 F.3d 92, 97 (2d Cir. 2019).

sanction for bad conduct, and the party being estopped had the opportunity to participate in the underlying litigation, the default judgment has preclusive effect."[12]

Here, Ringgold participated in the civil action for nineteen months before the district court entered default judgment as a sanction for bad conduct—in particular, Ringgold's filing of forged and false declarations with the court, suborning of perjury, and coaching of witnesses to lie regarding material issues in the case.[13] The district court found that Ringgold "willfully deceived the [c]ourt and adversely affected the administration of justice," and that no lesser sanction would "deter [Ringgold's] continued misconduct."[14] Thus, we find that affording preclusive effect to the district court's entry of default judgment against Ringgold on all claims in the Commission's complaint is appropriate.[15]

As relevant here, the district court made findings of fact in the amended final judgment.[16] The district court held, for example, that "[d]efault judgment was imposed against [Ringgold] on liability on the anti-fraud and registration provisions of the securities laws; therefore, it is established that [he] committed fraud in connection with the purchase or sale of securities, committed fraud in the offer or sale of securities, and unlawfully offered and sold unregistered securities."[17] The court further found that Ringgold was "the chairman, founder and majority owner of Blockvest," and that it "was through Blockvest that Ringgold conducted pre-sales of

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[12] *Id.* at 100; *see also id* at 101-102 ("Affording a default judgment entered as a sanction preclusive effect furthers the goal of imposing the sanction in the first instance because it deprives the sanctioned party an opportunity to relitigate an issue that could and should have been decided in the first litigation."); *In re Docteroff*, 133 F.3d 210, 215 (3d Cir. 1997) (stating that not giving preclusive effect to a default judgment entered as a sanction would "encourage behavior similar to [defendants] and give litigants who abuse the processes and dignity of the court an undeserved second bite at the apple").

[13] Order Adopting Report and Recommendation and Granting Plaintiff's Motion for Terminating Sanctions as to Defendant Ringgold, *SEC v. Blockvest, LLC*, No. 3:18-cv-02287-GPC-MSB (S.D. Cal. May 29, 2020).

[14] *Id.* at 2, 29.

[15] *See, e.g., Snyder*, 939 F.3d at 97 (giving preclusive effect to default judgment entered as sanction for misconduct during litigation); *In re Leonard*, 644 F. App'x 612, 617-18 (6th Cir. 2016) (same); *In re Corey*, 583 F.3d 1249, 1252-53 (10th Cir. 2009) (same); *Docteroff*, 133 F.3d at 215 (same); *In re Bush*, 62 F.3d 1319, 1322-25 (11th Cir. 1995) (same); *In re Daily*, 47 F.3d 365, 368-69 (9th Cir. 1995) (same); *SEC v. Earthly Mineral Sols., Inc.*, No. 2:07-CV-1057 JCM (LRL), 2010 WL 3829348, at *3 (D. Nev. Sept. 24, 2010) (same).

[16] Amended Final Judgment, *SEC v Blockvest, LLC*, No. 3:18-cv-02287-GPC-MSB (S.D. Cal. Dec. 15, 2020).

[17] *Id.* at 5.

BLVs in March 2018 and promoted the BLVs on its website, white paper and social media."[18] The court found that, in raising $332,370.99 from the sale of BLVs, Ringgold made misrepresentations to investors.[19] In particular, the court found that Ringgold "misrepresented that the initial coin offering was 'registered' with and 'approved' by the SEC and used SEC's logo; misrepresented the regulatory status with respect to the Commodity Futures Trading Commission ("CFTC") and the National Futures Association ("NFA") by utilizing their logos and seals, and continued to do so after NFA issued Blockvest a cease and desist letter; falsely asserted [Blockvest] 'partnered' with and was 'audited by' Deloitte Touche Tohmatsu Limited; and created a fictitious regulatory agency, the [BEC], creating its own fake government seal, logo, and mission statement that are nearly identical to the SEC's seal, logo, mission statement as well as using the same address as the SEC's headquarters."[20] The court concluded that Ringgold "committed securities fraud with a high degree of scienter," and that he "never recognized the wrongful nature of his conduct" or "provided any assurances that future violations will not recur."[21]

C. We find an industry bar to be in the public interest.

Advisers Act Section 203(f) authorizes the Commission to suspend or bar a person from the securities industry if it finds, on the record after notice and opportunity for hearing, that (1) the person was enjoined from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security; (2) the person was associated with an investment adviser at the time of the alleged misconduct; and (3) such a sanction is in the public interest.[22]

The record establishes the first two of these elements. Ringgold was enjoined from conduct in connection with the purchase or sale of securities.[23] Ringgold, as the CEO of Blockvest and the founder and control person of Rosegold, was also a person associated with an

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18 *Id.* at 7.

19 *Id.* at 5, 7.

20 *Id.* at 5.

21 *Id.* at 6.

22 15 U.S.C. § 80b-3(f) (cross-referencing Advisers Act Section 203(e)(4), 15 U.S.C. § 80b-3(e)(4)); *see also id.* § 80b-3(e)(4) (discussing injunctions).

23 *See* Securities Act Section 5(a), (c), 15 U.S.C. §§ 77e(a), (c) (applying to conduct concerning the offer and sale of securities); Securities Act Section 17(a), 15 U.S.C. § 77q(a) (same); Exchange Act Section 10(b), 15 U.S.C. § 78j(b) (applying to conduct "in connection with the purchase or sale of any security"); Exchange Act Rule 10b-5, 17 C.F.R. § 240.10b-5 (same).

investment adviser at the time of his misconduct.[24] The allegations of the OIP deemed true establish that Ringgold, through Blockvest, offered BLV tokenholders "investment portfolio structuring and management" services; and Ringgold, through Rosegold, advised clients as to digital asset securities investments.[25]

Thus, we need determine only if any remedial action is in the public interest. In doing so, we consider the egregiousness of the respondent's actions, the isolated or recurrent nature of the infraction, the degree of scienter involved, the sincerity of the respondent's assurances against future violations, the respondent's recognition of the wrongful nature of the conduct, and the likelihood that the respondent's occupation will present opportunities for future violations.[26] Our public interest inquiry is flexible, and no one factor is dispositive.[27] The remedy is intended to protect the trading public from further harm, not to punish the respondent.[28]

We have weighed all these factors and find an industry bar is warranted to protect the investing public. Ringgold's misconduct was egregious and recurrent. He owed a fiduciary duty to the clients of Blockvest and Rosegold.[29] Yet he repeatedly abused that position of trust by misrepresenting to investors that Blockvest and its ICO had been approved by regulators and that Blockvest had partnered with and was audited by Deloitte, and by creating the fictitious BEC. Together, these actions all created a false veneer of legitimacy and stability for the BLV tokens

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24 *See* 15 U.S.C. § 80b-2(a)(17) (defining a "person associated with an investment adviser" to include "any partner, officer, or director of such investment adviser . . . or any person directly or indirectly controlling . . . such investment adviser").

25 *See id.* § 80b-2(a)(11) (defining "investment adviser" to include "any person who, for compensation, engages in the business of advising others . . . as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities"); *see also Teicher v. SEC*, 177 F.3d 1016, 1017-19 (D.C. Cir. 1999) (finding that the authority under Advisers Act Section 203(f) to sanction persons associated with an investment adviser at the time of the underlying misconduct extended to persons associated with unregistered as well as registered advisers).

26 *Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981).

27 *Tzemach David Netzer Korem*, Exchange Act Release No. 70044, 2013 WL 3864511, at *4 (July 26, 2013).

28 *McCarthy v. SEC*, 406 F.3d 179, 188 (2d Cir. 2005).

29 *Brown*, 2011 WL 2433279, at *6 ("Investment advisers and their associated persons have a fiduciary duty to their clients.").

that Ringgold sold.[30] The district court found that Ringgold engaged in this "fraud with a high degree of scienter."[31] And Ringgold received $332,370.99 in ill-gotten gains from his misconduct.

Because Ringgold failed to answer the OIP or to respond to the show cause order or the Division's motion, he has made no assurances that he will not commit future violations or that he recognizes the wrongful nature of his conduct. It also appears that Ringgold's occupation presents opportunities for future violations considering that he founded and was the principal of two investment advisers during the period of his misconduct, and that he offers no assurances about his future plans.[32]

The Commission may impose bars to protect the investing public from a respondent's future actions by restricting access to areas of the securities industry where a demonstrated propensity to engage in violative conduct may cause further investor harm. Here, the record establishes that Ringgold is unfit to participate in the securities industry and that his participation in it in any capacity would pose a risk to investors.[33] Because Ringgold poses a continuing threat to investors, we conclude that it is in the public interest to bar him from association with any

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30 *See James C. Dawson*, Advisers Act Release No. 3057, 2010 WL 2886183, at *4 (July 23, 2010) ("[W]e have consistently viewed misconduct involving a breach of fiduciary duty or dishonest conduct on the part of a fiduciary . . . as egregious.").

31 *See Aaron v. SEC*, 446 U.S. 680, 701 (1980) (the "degree of intentional wrongdoing evident in a defendant's past conduct" is an "important factor" indicating a risk of future harm).

32 *See George Charles Cody Price*, Advisers Act Release No. 4631, 2017 WL 405511, at *3 (Jan. 30, 2017) (expressing concern that respondent's occupation would present opportunities for future violations where he did not indicate that he planned to leave the securities industry).

33 *See Jaswant Gill*, Advisers Act No. 5858, 2021 WL 4131427, at *3-4 (Sept. 10, 2021) (finding that misconduct underlying respondent's injunction from violating antifraud provisions of the Securities Act, Exchange Act, and Advisers Act demonstrated that respondent was unfit to participate in the securities industry and posed a risk to investors).

investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.[34]

An appropriate order will issue.

By the Commission (Chair GENSLER and Commissioners PEIRCE, CRENSHAW, UYEDA and LIZÁRRAGA).

Vanessa A. Countryman
Secretary

[34] *Id.* at *3-4 (imposing associational bars where they were necessary to protect the public).

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6267 / March 29, 2023

Admin. Proc. File No. 3-20208

In the Matter of

REGINALD BUDDY RINGGOLD, III, *aka* RASOOL ABDUL RAHIM EL

ORDER IMPOSING REMEDIAL SANCTIONS

On the basis of the Commission's opinion issued this day, it is

ORDERED that Reginald Buddy Ringgold, III, *aka* Rasool Abdul Rahim El is barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

By the Commission.

Vanessa A. Countryman
Secretary