

The Red Flags in Securities and Exchange Commission v. Blockvest, LLC

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By: Karen K. Diep

Investment fraud comes in many forms, including affinity fraud, Ponzi scheme, pre-IPO investment scams, and pyramid schemes. Despite their varying forms, fraud typically share common characteristics or red flags: (a) unlicensed investment professionals, (b) aggressive sellers who may provide exaggerated or false credentials, and (c) “Everyone is buying it” pitches. These are a handful of the checklist the U.S. Securities and Commission Exchange Commission provides on its website to help investors avoid investment fraud.

The fraudulent investment scheme described in *Securities and Exchange Commission v. Blockvest, LLC*, 2020 WL 1910355 (S.D. Cal. Apr. 20, 2020), contain several key “red flags” and show other warning signs investors certainly should be aware of. Blockvest LLC (“Blockvest”) is a private company that purports to “provide various digital asset-related financial products and services, for which it was raising funds through the sale of BLVs, its digital tokens or coins. Its founder is Reginald Buddy Ringgold, III, aka Rasool Abdul Rahim El (“Buddy”). On October 3, 2018, the SEC brought an action against Blockvest and Buddy to halt the ongoing investment fraud involving an upcoming initial coin offering (“ICO”) by the defendants.

Representations made by the defendants, through marketing materials and other means, are riddled with fiction and fraud:

“Everyone is Buying it” pitches. Blockvest claimed on social media channels that it had already raised more than \$2.5 million in pre-ICO sales of its BLVs or digital tokens within seven days of the commencement of the pre-ICO sales. It later went on to represent on its website that the company had sold 18% of the BLVDs being offered or roughly 9 million tokens. Most grandiose was Blockvest’s commitment to raise \$100 million during its ICO, allegedly to fund its digital asset-related financial products and services.

Unlicensed investment professional and Exaggerated or False Credentials. Blockvest touted that the company is the first licensed and regulated tokenized crypto currency exchange and index fund in the United States. None of this, however, was true.

The company also promotes its founder Buddy as a “Financial Markets Investment Coach” and “professor,” with over 17 years of experience in the financial industry as an investment advisor, trader, and investment banker. Buddy also holds himself out in his online biographies and in his LinkedIn profile, as the principal of various affiliated entities, including the “Blockchain Exchange Commission” (“BEC”), Blockchain Investment Group LLC, Rosegold Investments LLP, and Master Investment Group, Inc., which are referred to as proving services for Blockvest or otherwise features as partners on its website and whitepaper.

In reality, Buddy has never been registered with the SEC or the Commodity Futures Tradition Commission (“CFTC”) in any capacity under either his name or his aliases nor has been associated with any registered firms in the securities industry.

False Legitimacy. A related warning sign is promoting an “air of legitimacy” by way of third parties purportedly approving the investment scheme. This is not included in the list of red flags reflected on the SEC’s website.

Blockvest represented that the ICO had been “registered” and “approved” by the SEC and other regulators. Further, the company also claimed that it had “partnered” with and “audited by” Deloitte Touche Tohmatsu Limited, a multinational profession services network and known as one of the “Big Four” accounting organizations. But Deloitte had no current or past business relationship with Blockvest or any related entities or including, Buddy, nor any knowledge of a relationship of such a relationship.

What is unique in the Blockvest fraudulent scheme is the “BEC.” Specifically, Buddy created a fictitious regulatory agency, the “Blockchain Exchange Commission,” or “BEC,” which he claims “regulates” the Blockchain Digital Asset Space,” purportedly to “protect” digital asset investors. However, the BEC is not a regulator at all. Alarmingly, it falsely invokes similarities to the SEC:

- the logo is like the SEC’s logo;



- the mission statement is a rip off from the SEC’s own statement: “The mission of the [BEC] is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation”; and
- the office address matches perfectly with address of the SEC’s headquarters, 100 F Street Northeast, Washington, D.C. 20549.

Investment fraud come in many shapes and sizes and share commonly red flags, regardless of the investment’s underlying nature, such as cryptocurrency. Other red flags noted by the SEC include unlicensed investment professionals, offers that sound “too good to be true,” “risk-free” investment opportunities, promises of great wealth and guaranteed returns, pressure to invest right now, over-the-top, sensation pitches that may have fake testimonials, unsolicited pitches seeking to obtain your personal information, and asked to pay for investments by credit card, gift card, or wiring money abroad or to a personal account. But as *Securities and Exchange Commission v. Blockvest, LLC* illustrates other red flags should be considered, such as the air of legitimacy, by either third parties or newly created enforcement agency. Be sure to review the red flag checklist on the SEC’s website

at: <https://www.investor.gov/protect-your-investments/fraud/how-avoid-fraud/red-flags-investment-fraud-checklist>

Related Practices

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