Published on *The National Law Review* https://natlawreview.com

Ring of Fire - SEC Hangs Up on Telegram

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After an extended fight with the U.S. Securities and Exchange Commission ("SEC"), Telegram has agreed to resolve charges the company's unregistered offering of digital tokens called "Grams" violated the United States federal securities laws. Telegram agreed to return more than $1.2 billion to investors and to pay a civil penalty of $18.5 million.

Telegram is the most prominent example of the failed Simple Agreement for Future Tokens ("SAFT") concept which has drawn the attention of the SEC. Proponents of SAFTs mistakenly believed the tokens distributed as part of the SAFT were not securities. The SEC and some courts believe the tokens issued as part of a SAFT are securities which must be sold pursuant to a registration with the SEC or an exemption from registration.

Telegram is unlikely to be the last settlement involving a SAFT that are deemed securities sold without a registration.

National Law Review, Volume X, Number 183

Source URL:https://natlawreview.com/article/ring-fire-sec-hangs-telegram