

SEC halts Telegram Inc.'s digital token offering

14 OCTOBER 2019

CATEGORY:
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On October 11, 2019, the United States Securities and Exchange Commission (the “SEC”) filed an enforcement action and obtained a temporary restraining order against Telegram Group Inc. and its wholly-owned subsidiary TON Issuer Inc. (together “Telegram”), in connection with Telegram’s planned offering of billions of digital tokens called “Grams.” The SEC’s complaint alleges that the Grams are securities under the meaning of United States law, and that Telegram failed to properly register its offers and sales of Grams, as required by United State law. The complaint also alleges that Telegram has sold approximately 2.9 billion Grams at discounted prices to 171 initial purchasers worldwide since January 2018, and that Telegram was planning to launch its own blockchain no later than October 31, 2019, at which time the Grams’ initial purchasers, as well as Telegram itself, would be permitted to sell their Grams. As a result of the temporary restraining order in the enforcement action, which was issued by a federal judge sitting in the Southern District of New York, Telegram is currently prohibited from launching its blockchain or selling Grams, as are the Grams’ initial purchasers. The SEC’s full press release regarding its lawsuit [is available here](#).

Withers is aware that some of our clients may have purchased Grams, and may be affected by the SEC’s enforcement action and temporary restraining order. We are monitoring the Grams enforcement action for further developments. If you or anyone you know is affected by the Grams lawsuit and injunction, Withers’ securities law and cryptocurrency teams are available to answer any questions you may have. Please contact us for further information.

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