

SEC KOs Mayweather and DJ Khaled for Promoting Cryptocurrency Without Disclosures

Kristi L. Wolff

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About a year ago, the SEC issued a [warning](#) to celebrities and social influencers who promoted Initial Coin Offerings (ICOs) on social media, noting that such promoters are subject to federal securities laws. Apparently, at least two celebrities weren't paying attention because they recently [settled](#) the SEC's first cases regarding promoting ICOs without proper disclosures.

Khaled Khaled, better known as music producer DJ Khaled, and professional boxer Floyd Mayweather Jr. both allegedly promoted investments in ICOs for Centra Tech Inc. in 2017 without disclosing the compensation they received in exchange for their endorsements (\$50,000 for Khaled and \$100,000 for Mayweather). This triggered a violation of the anti-touting provision of the federal securities laws.

A few examples of these endorsements include Khaled referring to Centra's ICO as a "Game changer" on various social media accounts, and Mayweather tweeting that Centra's ICO "starts in a few hours. Get yours before they sell out, I got mine..."



Mayweather also allegedly failed to disclose his relationship with two other ICOs that paid him \$200,000 for posts such as, "You can call me Floyd Crypto Mayweather from now on."

In settling the charges, Khaled agreed to pay \$152,725 in disgorgement, penalty, and prejudgment interest, while Mayweather agreed to pay \$614,775 for the same. Mayweather and Khaled also agreed not to promote any securities, digital or otherwise, for three and two years, respectively.

Although proper disclosures in social media endorsements have been an area of concern for the FTC

for years, this settlement indicates that the SEC is just as interested in making sure consumers understand when they're seeing sponsored content in the marketing of financial products.

For more information on this topic, check out our [earlier post](#) on SEC activity and our webinar, "[Advertising Under the Influence.](#)"