

SEC Enforcement Case Summary

Terraform and Kwon to Pay \$4.5 Billion Following Crypto Fraud Verdict

On June 13, 2024, the Securities and Exchange Commission (SEC) announced that Terraform Labs PTE, Ltd. and Do Kwon will pay over \$4.5 billion after a jury found them guilty of a prolonged fraud involving crypto asset securities. The fraud caused massive investor losses, especially when their stablecoin, UST, de-pegged from the U.S. dollar in May 2022, leading to a \$40 billion market value wipeout.

During the nine-day trial in April, the extent of their deception was revealed, showing that Terraform misled investors about the stability of UST and the use of their blockchain. SEC Chair Gary Gensler emphasized that the case highlights the importance of compliance with securities laws to protect investors.

The SEC charged Terraform and Kwon with securities fraud in February 2023. The court found them liable in December 2023, and they filed for Chapter 11 bankruptcy in January 2024. The jury's verdict in April 2024 led to the settlement, with Terraform paying nearly \$4.5 billion and agreeing to cease operations, while Kwon will pay over \$200 million.

This settlement includes Terraform winding down its operations and distributing remaining assets to investors, with both defendants permanently enjoined from future violations. The SEC's Division of Enforcement highlighted the settlement's significance in holding the defendants accountable and providing justice for the victims.

See Press Release – <https://www.sec.gov/newsroom/press-releases/2024-73>