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Legislation Details (With Text)

File #: R2023-132
Type: Resolution
Status: Failed to Pass
File created: 1/18/2023
In control: City Council
Final action: 5/24/2023
Title: Call for public hearing(s) on Ponzi schemes specifically targeted toward Latino community and linked to U.S. Securities and Exchange Commission investigation of CryptoFX LLC
Sponsors: Sigcho-Lopez, Byron, Martin, Matthew J., Hadden, Maria E., Cardona, Jr., Felix, Ramirez-Rosa, Carlos, Rodriguez Sanchez, Rossana, Maldonado, Roberto, Waguespack, Scott, King, Sophia D.
Indexes: Committee on Finance, ILLINOIS, STATE OF
Attachments: 1. R2023-132.pdf

Date	Ver.	Action By	Action	Result
5/24/2023	1	City Council	Failed to Pass	
1/18/2023	1	City Council	Referred	

RESOLUTION

A resolution calling for a public hearing regarding the alarming number of reports that Chicago citizens fell victim to a Ponzi scheme that specifically targeted the Latino community and is linked to a US Securities and Exchange Commission investigation.

On September 19, 2022, the Securities and Exchange Commission filed an emergency action to stop an on-going fraudulent and unregistered crypto asset offering targeting Latino investors, run by defendants Mauricio Chavez and Giorgio Benvenuto through a company Chavez founded and controlled, CryptoFX, LLC. At the SEC's request, the Court issued a temporary restraining order halting the offering, as well as temporary orders freezing assets and granting other emergency relief. After a hearing on September 29, 2022, the Court also granted the SEC's motion for a receiver and extended the asset freeze.

Unfortunately, this scheme continued after the September 2022 hearing and our office has received over two-hundred complaints alleging that local satellites continued the practices of Chavez and Benvenuto, under the name Crypto FX, LLC they targeted Latino investors with promises of quick and substantial returns on their investments.

We call on the City Council to collaborate with the office of the Illinois Attorney General, Kwame Raoul, to document and forward this large-scale multi-state fraud and add them to the broader federal investigation.

We ask that this hearing be organized and take place at the earliest possible convenience for the relevant committee(s) and office(s) being called on this resolution.

U.S. SECURITIES AND EXCHANGE COMMISSION

ENFORCEMENT REGULAR ION

ENFORCEMENT

Accounting and Auditing Enforcement Releases

SEC Halts Crypto Asset-Related Fraud Victimizing Latino Investors

Administrative Proceedings

ALJ Initial Decisions

Amicus / Friend of the Court Briefs

Delinquent Filings

Information for Harmed Investors

Litigation Releases

Opinions and Adjudicatory Orders

Receiverships

Stop Orders

Trading Suspensions

Litigation Release No. 25547 / October 3, 2022

Securities and Exchange Commission v. Mauricio Chavez, et al.. No. 4:22-cv-03359 (S.D. Tex. filed September 19, 2022)

On September 19, 2022, the Securities and Exchange Commission filed an emergency action to stop an on-going fraudulent and unregistered crypto asset offering targeting Latino investors, run by defendants Mauricio Chavez and Giorgio Benvenuto through a company Chavez founded and controlled, CryptoFX, LLC. At the SEC's request, the Court issued a temporary restraining order halting the offering, as well as temporary orders freezing assets and granting other emergency relief. After a hearing on September 29, 2022, the Court also granted the SEC's motion for a receiver and extended the asset freeze.

The SEC's complaint alleges that, in 2020, Chavez began holding paid classes for the ostensible purpose of educating and empowering the Latino community to build wealth through crypto asset trading. However, the complaint alleges Chavez had no background, education, or training in investments or crypto assets. According to the complaint, the seminars were merely conduits for soliciting investors to give their money to CryptoFX, which Chavez would then supposedly use to conduct crypto asset and foreign exchange trading. As alleged, Chavez claimed, among other things, to have earned outsized returns from crypto trading and to have "literally made over 5 millionaires in the last year." He also provided investors false documents that, among other things, grossly overstated his crypto experience and guaranteed that investors would not bear any losses. The defendants ultimately raised over \$12 million from more than 5,000 investors.

> SEC Complaint

> Spanish Language Version

The SEC alleges that Chavez was actually running a Ponzi scheme; rather than use investor funds for crypto trading, Chavez used more than 90% of investor funds to pay fake returns to investors, support his lifestyle, and purchase and develop real estate that he and Benvenuto controlled. For his part, Benvenuto allegedly solicited a large investor into the scheme and diverted investor funds to himself and a company that he and Chavez owned, CBT Group, LLC. In total, the SEC alleges that Chavez and Benvenuto made

approximately \$2.7 million in Ponzi payments while diverting almost \$8 million for their own use, including nearly \$1.5 million that Chavez spent on cars, credit card payments, jewelry, adult entertainment, and a house in his wife's name.

The Commission's complaint, filed in U.S. District Court for the Southern District of Texas, charges Chavez, Benvenuto, and CryptoFX with violating, or aiding and abetting violations of, the antifraud provisions of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The complaint also charges Chavez with violating Sections 206(1) and 206(2) of the Investment Advisers Act of 1940, and Chavez and CryptoFX of violating the securities registration provisions of Sections 5(a) and 5(c) of the Securities Act. The SEC seeks permanent injunctions, civil penalties, and disgorgement of ill-gotten gains with, prejudgment interest against each defendant, as well as bars against Chavez and Benvenuto from serving as officers or directors of any public company. The complaint names CBT Group as a relief defendant and seeks disgorgement of its ill-gotten gains along with prejudgment interest.

The SEC's investigation was conducted by Jillian Harris and Carol Hahn of the SEC's Fort Worth Regional Office, under the supervision of Jim Etn and Eric Werner. The SEC's litigation will be led by Matthew J. Guide and supervised by B. David Fraser.