

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

AMIR BRUNO ELMAANI (aka BRUNO
BLOCK),

Defendant.

Case No. 20-CV-____ (____)

COMPLAINT

JURY TRIAL DEMANDED

Plaintiff Securities and Exchange Commission (the “SEC”) files this Complaint against Defendant Amir Bruno Elmaani and alleges as follows:

SUMMARY

1. This case concerns Elmaani’s unregistered offering of securities in the form of digital assets (“tokens”) and his fraudulent scheme to exploit his control over the technology that created those tokens by minting millions of tokens for himself and selling them in the secondary trading market, causing the price of the tokens to plummet and thereby leaving investors with near-worthless investments.

2. In the fall of 2017, Elmaani, using the alias Bruno Block, offered and sold tens of millions of digital tokens called Pearl. The Pearl tokens were securities, but Elmaani’s offer and sale of Pearl tokens was not registered with the SEC. As a result, Pearl investors did not receive the disclosures required by the federal securities laws. Through his unregistered offer and sale of Pearl tokens, Elmaani unlawfully raised approximately \$1.3 million for Elmaani’s venture, for which he used various names incorporating the term Oyster (“Oyster”).

3. For a short while, Pearl tokens piqued investor interest. In December 2017, one digital asset commentator even named Pearl tokens a “hottest pick.” But Oyster’s sole product, “Oyster Protocol,” never came to fruition. Instead, Elmaani executed a scheme to exploit Oyster and Pearl tokens, reaping enormous profits for himself while tanking the market price for the Pearl tokens that he had created.

4. On or about October 29, 2018, Elmaani covertly minted himself approximately four million Pearl tokens at no cost and exploited investors in the market. Elmaani immediately unloaded the newly-minted Pearl tokens into the secondary market without notifying investors that he had just minted himself the Pearl tokens he was selling for free with no benefit to Oyster.

5. In total, Elmaani obtained approximately \$570,000 in illicit gains through the minting and sale of these Pearl tokens. Elmaani’s sale of his own Pearl tokens into the secondary market resulted in substantial losses for investors, as the price of Pearl tokens fell by nearly 65% in response to the sudden influx of additional Pearl tokens.

6. Following the fraud, Elmaani showed brazen disregard for the Pearl token holders he had victimized, commenting, “only the ones who cash out first make it out.”

7. By engaging in this misconduct, Defendant Elmaani violated, and unless enjoined will continue to violate, Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

JURISDICTION AND VENUE

8. The SEC brings this action pursuant to Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)], and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], to enjoin such acts, transactions, practices, and courses of business, and to obtain

disgorgement, prejudgment interest, civil penalties, and such other and further relief as the Court may deem just and appropriate.

9. This Court has jurisdiction over this action pursuant to Sections 20(b) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(b) and 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

10. Venue lies in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Certain of the acts, practices, transactions, and courses of business constituting the violations alleged herein occurred within the Southern District of New York, and Elmaani transacts business within the Southern District of New York.

11. In connection with the conduct alleged in this Complaint, Elmaani, directly or indirectly, singly or in concert, made use of the means or instruments of transportation or communication in, or instrumentalities of, interstate commerce, or the mails, or the facilities of a national securities exchange.

DEFENDANT

12. **Amir Elmaani** (aka Bruno Block), age 28, has a last known address in Hope Valley, Rhode Island.

13. Elmaani is the founder of Oyster, a business that developed and sold digital tokens, termed Pearl tokens or “PRL.” Elmaani held himself out as the chief executive officer (“CEO”) and lead developer of Oyster’s product, Oyster Protocol, from at least July 2017 until May 2018.

14. At all times discussed herein, Elmaani operated under the alias Bruno Block. In his dealings with employees, investors, and others concerning Oyster, Oyster Protocol, and Pearl tokens, Elmaani used the alias Bruno Block and did not reveal his true identity.

15. Elmaani used the email address bruno@oyster.ws, including in connection with an account in his own name, Amir Elmaani, with a digital asset trading and storage platform.

16. Elmaani is not, and has never been, associated with any entity registered with the SEC in any capacity.

OTHER ENTITIES DISCUSSED IN THIS COMPLAINT

17. **Oyster Protocol, Inc.** is a privately-held Delaware corporation with an address in the Southern District of New York. An individual whom Elmaani hired in January 2018 to serve as Oyster's Chief Financial Officer ("Oyster Executive 1") incorporated Oyster Protocol, Inc. on or about May 1, 2018. Oyster Protocol, Inc. is not, and has never been, registered with the SEC in any capacity.

18. **Jewel Holdings LLC** ("Jewel Holdings") is a Delaware Limited Liability Company, formed on or about March 19, 2018, to hold Elmaani's interest in Oyster Protocol, Inc. Jewel Holdings is the sole shareholder of Oyster Protocol, Inc.

BACKGROUND ON DIGITAL ASSETS

19. A "blockchain" is a type of distributed ledger or peer-to-peer database that is spread across a network and records all transactions in the network in theoretically unchangeable, digitally-recorded data packages called "blocks." Each block contains a batch of records of transactions, including a timestamp and a reference to the previous block, so that the blocks together form a chain. The system relies on cryptographic techniques for securely recording transactions. A blockchain can be shared and accessed by anyone with appropriate permissions. One such distributed ledger is the Ethereum Blockchain.

20. Some blockchains, including the Ethereum Blockchain, can record what are called "smart contracts," which are computer programs designed to execute the terms of a contract when certain triggering conditions are met.

21. A “digital wallet” is a device, physical medium, program, or service that stores public and private keys and can be used to track, receive, or spend digital assets. A digital wallet can also be used to store public and private keys that control smart contracts.

22. An “initial coin offering” or “ICO” is a fundraising event in which an individual or entity offers a unique digital asset—often described as a “coin” or “token”—in exchange for consideration (most commonly Bitcoin (“BTC”), Ether (“ETH”), U.S. dollars, or other fiat currency). The tokens are issued and distributed on a blockchain or cryptographically secured ledger.

23. ICOs are typically announced and promoted online, although other marketing may be employed. Issuers often release a “white paper” describing the project and promoting the ICO, often in highly technical terms and jargon. To participate, investors are generally required to transfer consideration to the issuer’s address, bank account, digital wallet, or other account. After the completion of the ICO, the issuer often will distribute its tokens to the participants’ unique address on the blockchain.

24. After the initial sale by an issuer, tokens are sometimes transferred between users or listed on online digital asset trading platforms, which are sometimes colloquially referred to as “exchanges,” whereon the tokens trade for other digital assets or fiat currencies.

25. The “Ethereum Blockchain” is an open, or permissionless, blockchain—a record of events resulting from the execution of code (smart contracts) on the Ethereum Blockchain. “ERC20” tokens refer to digital tokens issued and distributed on the Ethereum Blockchain using the ERC20 protocol, which is the standard coding protocol currently used by a significant majority of ICOs.

26. Activities that occur on the Ethereum Blockchain can be viewed publicly. “Ethereum block explorers” allow users to look up wallets, tokens, and transactions that occur on the Ethereum Blockchain. Thus, if a user knows a particular digital wallet address, that user can view transactions that are made from that address on the Ethereum Blockchain.

27. “Coin mixing services” or “cryptocurrency mixing services” allow users to break the connection between their identity and the digital assets they wish to transfer. When a user sends digital assets to a coin mixing service, the service typically mixes those potentially identifiable funds with other funds for a small fee and, after a delay, sends the user an equivalent amount of funds, sourced from other users, to a new address.

FACTUAL ALLEGATIONS

A. The Unregistered Promotion and Offering of Pearl Tokens

28. As discussed in more detail below, the offering of Pearl tokens began in or about September 2017 and continued into December 2017. Initial sales of Pearl tokens began on or about October 21, 2017 and extended through on or about November 30, 2017. Additional sales of Pearl tokens were held from on or about December 17 through 19, 2017.

29. Elmaani marketed Pearl tokens as an investment in a new product he was developing, which he variously referred to as “Oyster,” “Oyster Protocol,” and “the Protocol.”

30. In or about September 2017, Elmaani promoted Oyster online, using a white paper that he wrote describing the project (the “Oyster White Paper”). The Oyster White Paper appeared on social media platforms, online fora discussing digital assets, and on a website devoted to Oyster Protocol.

31. The Oyster White Paper listed Elmaani’s alias, Bruno Block, in the byline. The Oyster White Paper did not disclose Elmaani’s true name.

32. The Oyster White Paper described the startup as a “true two-birds-one-stone proposition,” addressing two unrelated problems that it identified: 1) the lack of anonymous, cloud-based storage and 2) the difficulty that web-based content providers had in making money from web traffic.

33. The Oyster White Paper explained that “there is currently no storage service that is both convenient and private. If you choose convenience, then you are opting for a standard cloud storage company which precludes privacy and anonymity. . . . If you choose privacy then you will seldom find an accessible and straight forward web interface with a simple ‘upload button.’”

34. The Oyster White Paper also explained that it had become difficult to “monetize” web content because of the prevalence of internet advertisement blockers.

35. According to the Oyster White Paper, the Oyster Protocol would create an ecosystem (the “Oyster Ecosystem”) that would provide two services: it would allow users to store and retrieve files in a decentralized, anonymous, secure, and reliable manner, and it would generate revenue for online content providers by using the processing power of the computers that visit websites.

36. According to the Oyster White Paper, Pearl tokens would be used for both of these services. Users looking to store files on Oyster Protocol’s decentralized system would pay for the storage service using Pearl tokens. The smart contract that governed Oyster Protocol contained a variable that “pegged” the amount of storage that could be acquired per Pearl token (the “Storage Peg”). Web content providers would be paid in Pearl tokens when website visitors would uncover “buried Pearl” in the course of processing the storage files.

37. In September 2017, when Elmaani released the Oyster White Paper, the Oyster Protocol was in the initial stages of development. When Elmaani offered and sold Pearl tokens, neither the storage service nor the web-monetizing service that Elmaani claimed to be developing was operational.

38. Using the alias Bruno Block, Elmaani described himself in social media posts as the sole developer of Oyster Protocol—“the main driving force behind code development.” As Bruno Block, Elmaani claimed that he “designed the protocol and performed the proof of concept testing.”

39. Elmaani promoted Pearl tokens as an investment in Oyster Protocol. Using the alias Bruno Block, Elmaani posted about Oyster Protocol and Pearl tokens on various websites and social medial platforms including icoalert.com, bitcointalk.org, Twitter, Medium, Telegram, and other online platforms.

40. Elmaani used the Twitter handle, @OysterProtocol, to promote Oyster Protocol and Pearl tokens. On or about September 17, 2017, Elmaani introduced Oyster Protocol on Twitter as “revolutionary tech.”

41. On or about September 17, 2017, using the alias Bruno Block, Elmaani announced that there would be an ICO, which he termed a “crowdsale,” for Pearl tokens (the “Pearl Token Sale”) and that sales could begin to occur on October 21, 2017.

42. In promoting Pearl tokens, Elmaani explained that the token was not yet functional because Oyster Protocol was still in development.

43. In September 2017, when a potential investor asked if Oyster Protocol was functioning, Elmaani responded, using the alias Bruno Block: “no we aren’t that near in development.”

44. Throughout the offering, Elmaani repeatedly explained that funds raised through the sale of Pearl tokens would be used for marketing and development of Oyster Protocol. For example, on or about October 6, 2017, using the alias Bruno Block, Elmaani responded to a question on Telegram asking how money raised through the ICO would be used, explaining funds could be used “to rent out large arrays of servers to perform proof of work” and “to compensate team members that work full time on Oyster and have left their day jobs for it.” On or about October 22, 2017, using the alias Bruno Block, Elmaani posted about Oyster Protocol on Telegram: “I would rather just focus on the protocol and coding but people need marketing to detect solid technology. . . . I need to be able to pay the developers full time salaries. The money needs to come before development.”

45. In another Telegram post on or about October 27, 2017, Elmaani elaborated, “[t]he amount of profit after the ICO will decide how fast Oyster is developed, but even if the final amount is low Oyster will still be developed albeit slower than it could have.” On or about October 27, 2017, Elmaani also stated on Telegram, “All money is being invested into marketing right now. After the marketing phase, money will be invested into code development as needed.”

46. Elmaani promoted Pearl tokens as an investment, through which Pearl token purchasers could expect to make a profit. In social media posts in October and November of 2017, using the alias Bruno Block, Elmaani characterized Pearl tokens as “an unsinkable ship” and a “great investment because you can make a solid 4x – 10x before the network is live,” with “more of a guaranteed price increase.” Elmaani described the profits from Pearl tokens as “mathematically guaranteed.” In a Telegram post on or about November 2, 2017, using his Bruno Block alias, Elmaani stated “that buying Pearl before the network [is] live is one of the strongest ways to make money,” and “it’s like an easy way to double your ETH guaranteed.”

47. Elmaani claimed that because Oyster Protocol was still in development, Pearl tokens would be a particularly profitable and safe investment. For example, in a tweet on or about October 13, 2017, Elmaani described Pearl tokens as “guaranteed to rise in price.” An infographic that Elmaani used to promote the Pearl Token Sale in online forums, including bitcointalk.org, claimed the Pearl Token Sale “price is offered at a fraction of storage prices, therefore early investors make massive profit with low downside risk.”

48. Elmaani referred to the buyers of Pearl as investors. For example, in a Telegram post on or about October 31, 2017, using the alias Bruno Block, Elmaani stated:

Everyone, Oyster is very close to concluding a large marketing agreement that has been worked on for several days. The deal costs 2 BTC and 1.6 BTC has already been paid. I want to pay the remaining 0.4 BTC now to seal the deal. If you are already an investor or are thinking about investing at least 1 ETH in Oyster, PM me and I will give you an attractive offer. Getting this deal finalized now will benefit Oyster a lot. Thanks[.]

49. Elmaani touted the benefits of a limited supply of Pearl tokens. For example, on or about November 2, 2017, Elmaani posted on Telegram, using the alias Bruno Block, “it seems this new system benefits from a smaller supply.” On or about November 11, 2017, using the alias Bruno Block, Elmaani posted on Telegram, “demand is good. Scarcity of supply plus strong demands leads to a price increase.”

50. Elmaani repeatedly represented to the public that after his fundraising efforts were complete, the Oyster smart contract would be locked so that no additional Pearl tokens would be created. For example, on or about November 4, 2017, using the alias Bruno Block, Elmaani posted on Telegram, “PRL is dynamically minted as ETH is received. When the crowdsale ends, the contract will be locked so that PRL can no longer be minted.” In another Telegram post on or about that same day, Elmaani reiterated, “When the crowdsale finishes the contract will be

locked so that it stops generating PRL.” On or about November 23, 2017, Elmaani explained, “When the contract is locked . . . it will no longer increase the supply.”

51. On or about November 10, 2017, a Telegram user publicly asked what would happen if someone tried to send ETH to the smart contract after the end of the Pearl Token Sale. Using the alias Bruno Block, Elmaani, publicly replied “Smart contract will be locked and won’t generate PRL anymore. Transaction will fail.” Although Elmaani acknowledged that it was “technically possible that the contract could be unlocked later” for new Pearl tokens to be minted, he stated that “there are no plans to do so at this stage.”

52. On or about November 23, 2017, using the alias Bruno Block, Elmaani posted a comment on Telegram specifying the limited conditions under which additional Pearl tokens would be minted after the Pearl Token Sale: “It’s possible the contract could be unlocked during a future date, but this would only happen if development is strong + the network is already running, as well as community consensus.”

53. The Pearl Token Sale began on or about October 21, 2017, as announced. Investors exchanged ETH for Pearl tokens, receiving 5000 Pearl tokens for each ETH contributed.

54. Elmaani represented that the exchange rate for Pearl tokens under the smart contract (i.e., 5000 Pearl tokens per 1 ETH) was permanent. On or about November 11, 2017, using the alias Bruno Block, Elmaani posted on Telegram that the “[m]ain smart contract is fixed in price, impossible to change.”

55. Although the Pearl Token Sale was scheduled to end on November 14, 2017, Elmaani extended it until November 30, 2017.

56. In total, Elmaani raised approximately \$75,000 through the sale of Pearl tokens in October and November of 2017, including through the sale of Pearl tokens to U.S. persons.

57. During the Pearl Token Sale, Elmaani also minted 100 million Pearl tokens that were not offered for sale: 75 million that were allocated to what was called the developer fund (the “Developer Fund”) and 25 million that were allocated to “marketing.” Elmaani held those 100 million Pearl in what was called the director wallet (the “Director Wallet”).

58. Several weeks later, on or about December 17, 2017, Elmaani offered additional Pearl tokens from the Developer Fund for sale as part of what he called a “dev wall sale.” In connection with this secondary Pearl Token Sale, Elmaani sold the Pearl tokens directly to secondary market purchasers through an online platform for the secondary market trading of ERC20 tokens. Within two days of opening the secondary Pearl Token Sale, the Pearl tokens sold out. In total, Elmaani raised approximately \$1.3 million from the sale of Pearl tokens as part of the secondary Pearl Token Sale in December 2017.

59. Following the conclusion of the secondary Pearl Token Sale, on or about December 19, 2017, using the alias Bruno Block, Elmaani posted on Telegram that the total supply of Pearl tokens in existence was 108.5 million. Elmaani explained that this amount included 50 million Pearl tokens in the Development Fund that would be released into the market by Oyster slowly to pay for development. In the Telegram post, Elmaani also stated that the “contract is locked,”—i.e., no more Pearl tokens would be created. This statement was misleading in that Elmaani failed to explain that he still had the ability to re-open the Pearl Token Sale, thus allowing additional Pearl tokens to be minted.

60. On or about December 20, 2017, an apparent Pearl investor posted on Telegram, “It’s good for us because total coin supply is 108m and not 500m.”

61. Elmaani pooled the proceeds from the sale of Pearl tokens into the Director Wallet.

62. When the publicly-traded price of Pearl tokens rose and fell, the change in price affected the value of all of the outstanding Pearl tokens. Thus, the market value of Pearl investors' investments were affected by changes in the price of Pearl tokens.

63. The market value of the Pearl tokens that were held by Elmaani and Oyster Protocol management, including the Pearl tokens in the Director Wallet, also rose and fell with the price of Pearl tokens. Thus, Elmaani's and Oyster's fortunes were tied to the fortunes of all Pearl investors.

64. Investors who purchased Pearl tokens had no contractual or other obligation to help create, build, or support Oyster Protocol or otherwise create demand or increase the value of Pearl tokens.

65. Investors who purchased Pearl tokens did not have control over how the proceeds of the sale of Pearl tokens were spent.

66. Investors who purchased Pearl tokens reasonably expected, including based on Elmaani's statements on Telegram and other social media platforms and websites, that Elmaani's efforts to develop and market Oyster Protocol would, if successful, increase the value of Pearl, and therefore Pearl investors would profit based on the efforts of Elmaani.

67. At no time during the Pearl Token Sale, or any of the events described herein, was Oyster Protocol able to be consumed in any manner. Pearl tokens could never be used to purchase the decentralized storage services described in the Oyster White Paper. Pearl tokens could never be used to pay to upload users' files to the Oyster Protocol as described in the Oyster

White Paper. Pearl tokens could never be used to compensate web content providers as described in the Oyster White Paper.

68. The social media platforms and websites that Elmaani used to promote Pearl tokens were accessible throughout the United States, including in New York, and around the world. Investors who lived throughout the United States, including in New York, and around the world purchased Pearl tokens over the Internet.

69. Neither Elmaani, nor anyone else, ever filed a registration statement with the SEC as to the offer and sale of Pearl tokens.

B. The Expansion of Oyster Protocol

70. In or about December of 2017, Elmaani began to hire full-time employees in various U.S. states and Canada to market and develop Oyster Protocol. Elmaani retained Oyster Executive 1 to serve as Chief Financial Officer. Elmaani also hired a communications and design director (“Oyster Executive 2”) and a chief technology officer (“Oyster Executive 3”). Elmaani paid some of the staff members in Pearl tokens. Elmaani did not tell his staff his real name and concealed his true identity from his staff.

71. Between December 2017 and March 2018, Elmaani and his Oyster staff continued to grow the company, retaining developers in multiple U.S. states, including multiple developers in New York, to work on the programming needed to create and implement the product described in the Oyster White Paper.

72. On or about December 20, 2017, Pearl tokens began trading on a popular digital asset trading platform, KuCoin. Pearl tokens subsequently became listed on other digital asset trading platforms due to the efforts of Elmaani and his staff.

73. The Oyster staff retained a law firm in the Southern District of New York and obtained a legal opinion from the firm in support of efforts to have Pearl tokens listed for secondary trading on additional platforms.

74. On May 1, 2018, Oyster Executive 1 incorporated Oyster Protocol, Inc. as a Delaware corporation.

C. The Continued Emphasis on the Limited Quantity of Pearl Tokens

75. Elmaani and his staff publicly promoted the limited quantity of Pearl tokens.

76. On or about February 2, 2018, Oyster Executive 1 announced on the social media site Medium, that a “coin burn” of coins from the Director Wallet would occur on March 1, 2018, which would reduce the supply of Pearl tokens by 10 million. The Medium announcement indicated that the current total supply of Pearl tokens was 108,592,692 and that following the coin burn the total supply would become 98,592,692.

77. On or about February 2, 2018, the @OysterProtocol Twitter account tweeted about the coin burn, linking to Oyster Executive 1’s Medium post. In the following weeks, @OysterProtocol repeatedly tweeted about the upcoming coin burn. On or about February 28, 2018, Oyster Executive 2 posted on Medium about the upcoming coin burn.

78. On or about March 1, 2018, @OysterProtocol tweeted the “Oyster Pearl (PRL) coin burn is complete!” The tweet contained a link to the website Etherscan’s information page for Pearl tokens. The tweet also included a graphic reflecting the new total supply of Pearl tokens as 98,592,692.

79. Oyster also prominently displayed the total supply of Pearl tokens, 98,592,692, on its website, including throughout the period when Elmaani executed the self-minting scam.

D. The Failure of the Oyster Protocol Product

80. The Oyster team was unable to create the product described in the Oyster White Paper.

81. Beginning in January 2018, the Oyster team conducted “alpha” and then “beta” testing of the file storage aspect of Oyster Protocol. During this testing phase, the Oyster Protocol was not “decentralized,” as described in the Oyster White Paper. Rather, during the majority of the alpha and beta testing phases, Oyster Protocol actually stored user files on centralized server space that Oyster had rented from another storage service provider—i.e., the very type of “standard cloud storage company” that Elmaani had criticized in the Oyster White Paper. During testing, Oyster Protocol did not charge users for file storage services.

82. The website monetization aspect of Oyster Protocol never even reached a testing phase. Website content providers were never compensated in Pearl tokens as described in the Oyster White Paper, and website content providers expressed no real interest in participating in the website monetization project.

83. The Pearl token could never be used in Oyster Protocol. Storage users could not use Pearl tokens to purchase decentralized storage from Oyster Protocol, and Pearl tokens could not be used to upload users’ files to the Oyster Protocol.

E. The False Announcement that Elmaani Would Be Ceding Control of Oyster

84. In the spring of 2018, Elmaani and Oyster Protocol announced that Bruno Block would be stepping down from the position of CEO of Oyster Protocol. In a Medium post on or about June 8, 2018, Oyster represented that Bruno Block was stepping down to concentrate more on development.

85. Oyster Executive 1 became the CEO of Oyster Protocol, Inc. in or about June 2018.

86. Elmaani formed a new entity, Jewel Holdings LLC (“Jewel Holdings”), which he managed through a designee (the “Jewel Holdings Designee”).

87. On or about March 19, 2018, the Jewel Holdings Designee filed a certificate of formation for Jewel Holdings with the State of Delaware.

88. On or about March 30, 2018, Jewel Holdings entered into a stock purchase agreement with Oyster Protocol Inc. (the “SPA”). Although the SPA listed Oyster Protocol, Inc. as a Delaware corporation, Oyster Protocol, Inc. was not incorporated in Delaware until May 1, 2018.

89. Pursuant to the SPA, Oyster Protocol, Inc. agreed to transfer 100% of the shares in Oyster Protocol Inc. to Jewel Holdings.

90. Pursuant to the SPA, Jewel Holdings agreed to transfer all remaining assets in the Director Wallet (except for a specified quantity of digital assets) to a new “dual signature wallet” under the control of Oyster Protocol and Jewel Holdings.

91. Pursuant to the SPA, Jewel Holdings also assigned to Oyster Protocol Inc. and agreed to transfer to Oyster Protocol Inc. any interest in Oyster Protocol Inc.’s business and any intellectual property, including “ideas, inventions, concepts, technology, software, methods, processes, drawings, illustrations, writings, know-how, show-how, trade names, domain names, web addresses and web sites, and all rights therein and thereto.”

92. Elmaani announced the transition in social media posts. On or about May 18, 2018, using the alias Bruno Block, Elmaani posted on Telegram:

very soon the main dev funds will be transferred to a dual-sig contract I’ve invented which will share control between [Oyster Executive 2] and [Oyster Executive 1]

my other control is the storage peg, which I will lock myself out of by assigning the storage peg contract as the director of the PRL contract

after those two things, I will control nothing[.]

93. In this May 18, 2018 Telegram post, Elmaani deceptively failed to disclose additional items that Elmaani also controlled: the ability to mint new tokens; the ability to withdraw ETH from the address that holds investor funds; and the ability to control and alter the Oyster smart contract. Thus, Elmaani misled investors, concealing the key controls that he retained which enabled him to execute his fraudulent self-minting scam.

F. The Self-Minting Scam

94. Over the course of two days, Elmaani engaged in round-trip transactions in order to mint himself new Pearl tokens for free by depositing ETH into the smart contract, receiving Pearl tokens in return, and withdrawing the ETH he had just deposited. He then dumped the newly minted Pearl tokens into the market for a personal profit, resulting in a crash in the price of Pearl tokens.

95. On or about October 28, 2018, Elmaani transferred approximately 64.75 ETH to a wallet he controlled (the “Shadow Wallet”). The Shadow Wallet was a wallet that Elmaani had not previously revealed, and therefore it was not publicly associated with Elmaani. Elmaani used a coin mixing service and privacy coins to transfer the ETH into the Shadow Wallet, so anyone observing the ETH coming out of the Shadow Wallet would not be able to trace it to Elmaani.

96. Digital coin reporting services reflected that the opening price of Pearl tokens on October 29, 2018, was approximately \$0.20. Based on the exchange rate for ETH at the time, one ETH would have bought an investor approximately 1,025 PRL on the secondary market.

97. On October 29, 2018, at approximately 8:25 a.m.,¹ Elmaani accessed the Oyster smart contract using the Director Wallet, to which he had retained access. Elmaani executed the “transferDirector” function, transferring control of the smart contract from the Director Wallet to

¹ All times alleged herein are in Eastern Time.

the Shadow Wallet. Thus, Elmaani transferred the director function from a wallet with which Oyster Protocol management and others were familiar to an unknown, anonymous wallet. Transferring ownership of the smart contract to the Shadow Wallet gave Elmaani the ability to evade detection long enough to perpetuate his scheme.

98. Two minutes later, at approximately 8:27 a.m. on October 29, 2018, Elmaani used the Shadow Wallet to resume minting Pearl tokens (the “Surplus Minting”).

99. At approximately 8:30 a.m. on October 29, 2018, Elmaani transferred 50 ETH from the Shadow Wallet to the Oyster smart contract. The smart contract transferred 250,000 Pearl tokens to the Shadow Wallet. Thus, the smart contract issued Pearl tokens at the exchange rate that had been offered through the Pearl Token Sale in October and November of 2017; each ETH bought 5000 Pearl tokens. Based on the exchange rate for ETH at that time, the price that Elmaani paid per Pearl token in U.S. dollars was approximately \$0.04, nearly an 80% discount off of the price at which it was trading in the open market.

100. At approximately 8:33 a.m. on October 29, 2018, Elmaani executed the “withdraw” function on the smart contract, withdrawing the 50 ETH that he had transferred to the smart contract approximately 3 minutes earlier in exchange for the Pearl tokens. Thus, Elmaani used a round-trip transaction to mint himself 250,000 Pearl tokens for free.

101. Following the 8:33 a.m. withdrawal of ETH from the smart contract, Elmaani repeated this cycle seven more times, depositing various amounts of ETH into the smart contract, receiving Pearl tokens in return, and withdrawing the ETH he had just deposited.

102. In total, on October 29, 2018, Elmaani minted approximately 4,035,000 new Pearl tokens to himself. Elmaani withdrew all of the ETH that he deposited into the smart contract in

exchange for those Pearl tokens. Thus, on October 29, 2018, Elmaani minted himself approximately 4,035,000 Pearl tokens at no cost to himself and with no benefit to Oyster.

103. That same day, October 29, 2018, Elmaani transferred 3,996,400 of his newly-minted Pearl tokens from the Shadow Wallet, to a wallet that, on information and belief, Elmaani had opened with the digital trading platform, KuCoin (the “Elmaani KuCoin Wallet”).

104. Approximately 3,568,219 Pearl tokens from the Elmaani KuCoin wallet were sold through the KuCoin trading platform, making approximately \$506,763. On information and belief, Elmaani directed these sales.

105. Elmaani did not disclose to the investors who purchased these 3,568,219 Pearl tokens on the secondary market that the tokens had just been issued in the Surplus Minting. Nor did Elmaani disclose that he had used round-trip transactions to mint himself the Pearl tokens for free with no benefit to Oyster.

106. Following Elmaani’s sale of the newly-minted Pearl tokens, the proceeds of the sales were transferred through coin mixing services so the proceeds could not be traced.

107. During the afternoon of October 29, 2018, others who realized that additional Pearl tokens were being minted began sending ETH to the smart contract and receiving Pearl tokens in return.

108. In total, on October 29 and October 30, 2018, investors other than Elmaani purchased approximately 1,634,705 Pearl tokens in exchange for approximately 326.94 ETH, in the Surplus Minting.

109. In addition to withdrawing the ETH that he himself had submitted to the reopened smart contract, on October 29 and October 30, 2018, Elmaani also withdrew an additional

approximately 326.94 ETH—valued at approximately \$65,000—which had been deposited into the smart contract by other investors.

110. After learning of the Surplus Minting, in the afternoon of October 29, 2018, Oyster management warned the public about it on various social media platforms. Oyster Executive 1 posted an announcement on Twitter, “Earlier this morning directorship was transferred by the original Ethereum address controlled by Bruno Block, allowing the new director to mint 3 mil new Pearl. We do not know any reason why this would be done and are currently looking into solutions.” Oyster Executive 1 posted on Telegram, “I can confirm someone has taken control of the Smart Contract. DO NOT BUY ANYTHING. I honestly don’t know what to say right now. I’m waiting for more information.” Realizing that others might be taking advantage of the Surplus Minting, Oyster published a warning on Twitter, “Please note that any ETH sent to the Oyster PRL Contract will NOT be refunded and any newly minted PRLs will NOT be recognized moving forward.”

111. At approximately 3:12 p.m. on October 29, 2018, KuCoin announced that it would be halting trading in Pearl tokens at Oyster Protocol’s request.

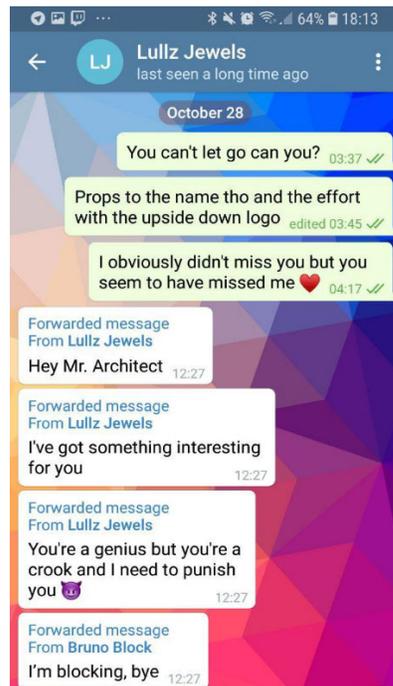
112. In flooding the market with his own sales of more than 3.5 million newly-minted Pearl tokens, Elmaani caused the price of Pearl tokens to plummet. Digital coin reporting services reflected that the closing price of Pearl tokens on October 29, 2018, was approximately \$0.07—a decrease of nearly 65% from the price at which Pearl tokens opened prior to Elmaani’s self-minting scam.

113. Before and after he began the Surplus Minting to execute the self-minting scam, Elmaani took steps variously to implicate a vocal online critic of Oyster Protocol who went by the name “Jullz,” and Oyster Protocol’s management for the scam.

114. For example, the Elmaani KuCoin Wallet, which was used to dump the newly-minted Pearl tokens into the market, was set up using an email address which incorporated “Jullz,” in the handle.

115. On October 28, 2018, Elmaani messaged a member of the Oyster team, claiming that he was concerned that he had been sim-jacked—i.e., that someone had hacked into his phone. On October 29, 2018, Elmaani sent the Oyster team member screenshots of messages that Elmaani claimed to have exchanged with the Oyster critic, Jullz, under the name “Lullz Jewels.”

116. One of the screen shots that Elmaani sent to the Oyster team member on October 29, 2018 appears to show Jullz warning Elmaani on October 28, 2018: “I’ve got something interesting for you – You’re a genius but you’re a crook and I need to punish you.”



117. The second screen shot that Elmaani sent to the Oyster team member on October 29, 2018, appears to be dated October 29, 2018 and appears to show Jullz taking credit for the

self-minting scam: “RIP Oyster, how do you like me now;” “Jullz defeats the legendary Bruno;” and “Check the Oyster PRL contract.”



118. In subsequent communications, Elmaani abandoned any claim that he had been sim-jacked or that Jullz was responsible for the Surplus Minting.

119. Elmaani also tried to implicate Oyster executives in the scam. On October 30, 2018, at 3:32 p.m., Elmaani closed the Surplus Minting. Two minutes later, at 3:34 p.m. Elmaani executed the transferDirector function of the smart contract moving the directorship (e.g., the power to reopen the Pearl Token Sale) to a wallet to which only Oyster Executive 1 and/or Oyster Executive 2 had access.

120. On October 30, 2018, at 4:25 p.m., Elmaani transferred 100 ETH to a wallet to which only Oyster Executive 1 and Oyster Executive 2 had access.

121. By transferring the power to mint Pearl tokens and the ETH to the control of Oyster Executive 1 and/or Oyster Executive 2, Elmaani tried to make it appear that these executives were responsible for the Surplus Minting the day before.

G. Elmaani's Acknowledgement of his Fraud

122. Following the completion of the self-minting scam, on or about October 30, 2018, Elmaani, using the alias Bruno Block, exchanged private messages on Telegram with Oyster Executive 1.

Oyster Executive 1: I have always had the best interests of our holders and the broader project in mind
You had yourself in mind

Bruno Block: yes I did, you and your credit card-swiping parents created a massive debt bubble prison I'm trying to escape from. I only wanted to protect my wife and children from the economic collapse that is coming anyday now.

Oyster Executive 1: Can you just tell me why you did what you did
Why now?
Was it money?
Is that it?

Bruno Block: I need to protect my family from the collapse
yes its not cheap to escape this crazy debt-prison you, your friends,
and your parents blew up for the past 100 years

123. In a further exchange, Elmaani suggested that he considered investments in digital tokens to be Ponzi schemes:

Oyster Executive 1: But what about all the tokenholders

Bruno Block: that;s why I quit my job designing software patents to make money, so that I don't starve to death whilst everyone is stairing as BTC/USD
they are in a ponzi....
none of the money is real

Oyster Executive 1: There's people who lost massive amounts of money

Bruno Block: only the ones who cash out first make it out

H. Elmaani’s Promotion of a New Token, Akoya

124. Even after exploiting Pearl investors through his self-minting scam, Elmaani continues his efforts to improperly raise money through the crypto-currency market.

125. In or about February 2019, Elmaani created a new ERC20 token, Akoya or “AKYE”. Using the alias Bruno Block, Elmaani posted about Akoya on the Oyster Announcements Telegram channel.

126. On or about March 23, 2019, Elmaani announced he would “airdrop,” or distribute, Akoya tokens into the wallets of Pearl token holders. Elmaani wrote that he would mint 10 million Akoya tokens, and that each Pearl token holder would receive .08 Akoya per Pearl token.

127. On or about April 23, 2019, Elmaani distributed Akoya.

128. Elmaani continues to develop Akoya and promote it, including on the Oyster Announcements Telegram channel.

129. An Ethereum block explorer indicates that, as of December 7, 2020, over 20,000 digital wallets hold Akoya tokens, and Akoya is trading on a decentralized digital asset trading platform.

ELMAANI VIOLATED THE FEDERAL SECURITIES LAWS

130. The Pearl tokens that Elmaani offered and sold in 2017 and 2018 were securities within the meaning of the Securities Act and the Exchange Act.

131. Investors exchanged digital currency, constituting money, for their investment in Pearl tokens.

132. The purchase of Pearl tokens was an investment in a common enterprise.

133. Investors in Pearl tokens reasonably would have expected profits from the efforts of others.

134. Because Pearl tokens were securities, Pearl investors were entitled to all of the protections and disclosures of the federal securities laws.

135. No registration statement was in effect as to Pearl tokens when Elmaani, directly and indirectly, made use of the means and instruments of transportation or communication in interstate commerce to sell Pearl tokens.

136. Elmaani, directly and indirectly, made use of means or instruments of transportation or communication in interstate commerce or the mails to offer to sell Pearl tokens when no registration statement had been filed as to Pearl tokens.

137. The offer and sale of Pearl tokens was not exempt from the registration requirements of the Securities Act.

138. Elmaani engaged in the conduct described herein, including the offer and sale of Pearl tokens, by use of the means or instruments of transportation or communication in interstate commerce and/or by use of the mails.

139. Based on Elmaani's representations, including on social media sites such as Telegram, investors understood that the total supply of Pearl tokens would not increase after the Pearl Token Sale.

140. Based on Elmaani's representations, including on social media sites such as Telegram, investors understood that funds exchanged for newly-minted Pearl tokens would be used to develop and market Oyster Protocol.

141. Elmaani made—and obtained money by means of—untrue statements of material fact and/or omissions to state a material fact necessary in order to make statements made, in light

of the circumstances in which they were made, not misleading. Elmaani's false and misleading statements include, but are not limited to, his statement in December 2017 that the smart contract was "locked" and his statement in May 2018 misrepresenting the scope of his control of Oyster. A reasonable investor would consider these facts, which directly relate to the total supply of Pearl tokens, important in deciding whether to purchase Pearl tokens.

142. Elmaani used a device, scheme, and/or artifice to defraud investors, and engaged in acts transactions, practices, or courses of business that operated as a fraud or deceit upon investors. In surreptitiously issuing himself a huge volume of Pearl tokens, for which he himself had said there was a limited supply, and then dumping those Pearl tokens into the market for his own benefit, without disclosure, Elmaani executed a fraudulent scheme. Elmaani took further deceptive steps, including using a web of digital wallets to distance himself from the minting and creating an email account associated with a vocal critic of Oyster, to make it appear that others were responsible for the self-minting scam.

143. In connection with the conduct described herein, Elmaani acted knowingly or recklessly.

CLAIMS FOR RELIEF

FIRST CLAIM

Violations of Sections 5(a) and 5(c) of the Securities Act

144. The SEC realleges and incorporates by reference each and every allegation in paragraphs 1 through 143, inclusive, as if they were fully set forth herein.

145. As a result of the conduct alleged herein, Defendant Elmaani directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce or of the mails, to offer to sell or to sell securities, or to carry or cause such securities

to be carried through the mails or in interstate commerce for the purpose of sale or delivery after sale.

146. No valid registration statement has been filed with the Commission or has been in effect with respect to any offering or sale alleged herein.

147. There was no exemption applicable for the offer and sale of the Pearl tokens from the registration requirements of the Securities Act.

148. By engaging in the foregoing conduct, Elmaani violated, and unless restrained and enjoined will continue to violate, Section 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

SECOND CLAIM
Violations of Section 17(a) of the Securities Act

149. The SEC realleges and incorporates by reference each and every allegation in paragraphs 1 through 143, inclusive, as if they were fully set forth herein.

150. By engaging in the conduct described above, Defendant Elmaani, in the offer or sale of securities, directly or indirectly, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails:

- a. knowingly or recklessly employed devices, schemes, or artifices to defraud;
- b. knowingly, recklessly, or negligently obtained money or property by means of an untrue statement of a material fact or an omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- c. knowingly, recklessly, or negligently engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

151. By engaging in the foregoing conduct, Elmaani violated, and unless enjoined will continue to violate, Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM
Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

152. The SEC realleges and incorporates by reference each and every allegation in paragraphs 1 through 143, inclusive, as if they were fully set forth herein.

153. By engaging in the conduct described above, Defendant Elmaani knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by the use of means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange:

- a. employed devices, schemes, or artifices to defraud;
- b. made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

154. By engaging in the foregoing conduct, Defendant Elmaani violated, and unless enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the SEC respectfully requests that the Court enter a final judgment:

I.

Permanently restraining and enjoining Defendant Elmaani from, directly or indirectly, violating Section 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a), § 77e(c)];

II.

Permanently restraining and enjoining Defendant Elmaani from, directly or indirectly, violating Section 17(a) of the Securities Act, 15 U.S.C § 77q(a);

III.

Permanently restraining and enjoining Defendant Elmaani from, directly or indirectly, violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

IV.

Ordering Defendant Elmaani to disgorge all ill-gotten gains derived from the activities set forth in this Complaint, together with prejudgment interest thereon;

V.

Ordering Defendant Elmaani to pay a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u-1];
and

VI.

Granting such other and further relief as this Court may deem just, equitable, or necessary in connection with the enforcement of the federal securities laws.

Respectfully submitted,

December 9, 2020

/s/ Julia C. Green
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