PRESS RELEASE

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SEC Charges Ideanomics and Three Senior Executives with Accounting and Disclosure Fraud

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Washington D.C., Aug. 9, 2024 — The Securities and Exchange Commission today announced settled fraud charges against Ideanomics, Inc., formerly known as Seven Stars Cloud Group, Inc., and its former Chairman and CEO, Zheng (Bruno) Wu, for misleading the public about the company's financial performance between 2017 and 2019. The SEC also announced settled charges against Ideanomics' current CEO, Alfred Poor, and former CFO, Federico Tovar, for their roles in the scheme.

The SEC's orders allege that, in mid-November 2017, Ideanomics and Wu reported 2017 revenue guidance of $300 million, despite numerous known issues indicating that the company would miss this guidance by a wide margin. The company later reported only $144 million in 2017 revenues. Ideanomics and Wu also misled the company's auditor with a fraudulent letter of intent from a purportedly interested buyer of certain assets to avoid writing down those assets by $17 million in 2017, and Wu improperly hid his personal interest in two companies that received millions in cash and stock from deals with Ideanomics between 2017 and 2019, according to the orders. The SEC further alleged that Ideanomics, Wu, Poor, and Tovar improperly accounted for a deal involving crypto assets in 2019, resulting in the company's overstatement of revenues by more than $40 million, and made false representations in company financial statements.

"As we alleged, Ideanomics and its executives defrauded investors, including by misstating its financial statements and failing to disclose material information to investors," said Stacy Bogert, Associate Director of the Division of Enforcement. "The investing public must be able to trust the accuracy of a company's disclosures, and we will hold accountable executives who abuse that trust by engaging in fraud."

The SEC's order against Wu finds that he violated the antifraud, reporting, internal control, and books and records provisions of the federal securities laws and caused certain of the company's violations. The SEC's order against Ideanomics, Poor, and Tovar finds that Ideanomics violated the antifraud, reporting, internal control, and books and records provisions of the federal securities laws, and it finds that Poor and Tovar violated the antifraud, reporting, and books and records provisions and caused certain of the company's violations.

Without admitting or denying the SEC's findings, all respondents settled the matter by agreeing to cease and desist from future violations of the charged provisions. Wu agreed to pay more than $3.3 million in disgorgement and prejudgment interest and a $200,000 penalty. Tovar and Poor each agreed to pay a $75,000 penalty. Ideanomics agreed to pay a $1.4 million penalty and to retain an independent compliance consultant to review, assess, and make recommendations as to the company's internal accounting controls. Finally, Wu agreed to a ten-year officer and director bar, and Tovar agreed to be suspended from appearing and practicing before the SEC as an accountant for at least two years.

The SEC's investigation was conducted by Jason Litow and Brian Palechek and supervised by Pei Chung, Peter Rosario, and Ms. Bogert, with assistance by James Connor, James Carlson, Duane Thompson, Kristen Warden, and David Mendel. The SEC appreciates the assistance of the Monetary Authority of Singapore, the British Columbia Securities Commission, the Hong Kong Securities and Futures Commission, and the China Securities Regulatory Commission.

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Last Reviewed or Updated: Aug. 9, 2024

RESOURCES

- SEC Order - Wu
- SEC Order - Ideanomics Inc