

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11329 / November 25, 2024

INVESTMENT ADVISERS ACT OF 1940
Release No. 6776 / November 25, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22331

In the Matter of

**FAIR INVEST, LLC AND
KHALID PAREKH,**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933 AND SECTIONS
203(e), 203(f), AND 203(k) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Fair Invest, LLC and Khalid Parekh (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds¹ that:

Summary

1. From August 2021 to August 2022, SEC-registered investment adviser Fair Invest, LLC ("Fair Invest") owned and controlled by Khalid Parekh ("Parekh"), raised approximately \$18.5 million from 373 investors in 40 states in an unregistered offering of a proprietary investment product called a Wealth Building Account ("WBA"). The Respondents directed the WBA offering to members of the Muslim community, promising annualized dividends of up to 4% and describing the WBA as conforming to Islamic prohibitions against earning or charging interest. The Respondents represented that Fair Invest would generate returns to pay dividends by investing in equities, ETFs, mutual funds, and tangible commodities. And they stated that client funds would be held in a SIPC-insured account and that each WBA would be tailored to the financial needs and objectives of clients individually.

2. But Fair Invest made no such investments and provided clients no individualized investment advice. Instead, at Parekh's direction, Fair Invest pooled the WBA offering proceeds to buy and lend crypto assets in transactions on two crypto-asset platforms to generate funds to pay the promised dividends. And Fair Invest never held any WBA assets in a SIPC-insured account.

3. Respondents did not disclose to clients that a Fair Invest affiliate, Amsys Invest, LLC, also owned and controlled by Parekh, received a share of the earnings generated from the crypto-asset transactions and that Parekh held an equity interest in one of the platforms. In December 2022, Fair Invest closed the WBA accounts and returned all funds and dividends to investors.

4. As a result of this conduct, Fair Invest and Parekh violated securities-registration and anti-fraud provisions of the federal securities laws, specifically Securities Act Sections 5(a), 5(c), 17(a)(2), and 17(a)(3) and Advisers Act Sections 206(2) and 206(4) and Rule 206(4)-2 thereunder.

Respondents

5. Fair Invest, LLC was chartered in Texas in January 2021, became a Commission-registered investment adviser on July 12, 2021, and began operations in September 2021. On December 31, 2022, Fair Invest withdrew its registration as an investment adviser. Fair Invest and its parent company, Fair Fintech, Inc., described below, are among several companies wholly owned by Amsys Holding, LLC, a private company wholly owned and controlled by Parekh.

6. Khalid Parekh, 44, resides in Richmond, Texas. He served as Fair Invest's managing member and chief compliance officer. He controlled Fair Invest's operations, including its investment of client assets, signed its Form ADV, and served as its sole employee and

¹ The findings herein are made pursuant to Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

investment-adviser representative.

Other Relevant Entities

7. Amsys Invest, LLC is a Texas limited liability company wholly owned by Parekh's company Amsys Holding.

8. Fair Fintech, Inc. was incorporated in Delaware in October 2020 and operated an online banking and investment platform through which Fair Invest offered the WBAs and its investment-advisory services. Fair Fintech, Fair Invest's parent entity, is wholly owned by Parekh's company, Amsys Holding. Parekh served as Fair Fintech's CEO.

Parekh Founded Fair Invest to Provide Investment Advice on Fair Fintech's Online Platform

9. Parekh formed Fair Invest as part of a plan he developed to provide investment advice and online banking services to members of the Muslim community interested in adhering to proscriptions in Islamic law against paying or receiving interest. In October 2020, Parekh formed Fair Invest's parent entity, Fair Fintech, which entered into a sponsorship agreement with an unrelated FDIC-insured bank. Fair Fintech adopted the brand-name "Fair Bank" and, under the sponsorship agreement, used a proprietary app and its website (www.BankWithFair.com) to offer its customers online banking services and access to checking, debit-card, ATM, and related services. To access these services, Fair Bank customers had to open a Fair Bank "Spending Account," which earned no interest and functioned like a traditional checking account.

10. In March 2021, Parekh formed Fair Invest to offer Fair Bank customers a second account, a WBA, designed to approximate the banking features of a traditional savings account, but without earning interest. Fair Invest allowed only Fair Bank Spending Account holders the opportunity to become Fair Invest clients and to open Fair Invest WBAs. To open a WBA, the client executed a WBA Agreement, in which Fair Invest promised to pay the client a monthly "dividend yield," rather than interest, of up to 4% of the account's average daily balance, annualized. Under the agreement, the dividend payments were not obligatory but were to be made at Fair Invest's discretion. Fair Invest clients could access their WBAs through Fair Invest's website (www.InvestWithFair.com) or through the Fair Bank app.

Fair Invest Publicly Offered and Promoted the WBAs

11. From August 2021 to August 2022, at Parekh's direction, Fair Invest engaged in a general solicitation to offer WBAs to investors. Parekh offered and promoted the accounts publicly on radio shows and podcasts, at an in-person expo of halal products, in an online interview sponsored by a halal-focused publication, and in several publicly accessible YouTube videos. Fair Invest offered and promoted the accounts on its website, in Facebook advertisements, and in YouTube videos. This promotional activity emphasized the company's compliance with Islamic law, its commitment to ethical and fair dealing, and the opportunity for Fair Bank accountholders to earn an annualized return of up to 4% by opening a WBA. The firm represented that it would generate the dividends by investing in equities, ETFs, mutual funds, and tangible commodities.

12. Fair Invest did not: (a) file a registration statement with the Commission concerning the offering of WBAs; (b) limit the accounts' availability to persons with a preexisting relationship with the firm; or (c) seek information from any source concerning the accreditation status of accountholders. By August 2022, when Fair Invest ceased accepting new clients, 373 investors in 40 states had opened Fair Invest WBAs. These investors transferred approximately \$18.5 million, in the aggregate, into the accounts.

Fair Invest Used Client Funds to Engage in Crypto-Asset Transactions on Two Crypto-Asset Platforms

13. To earn the promised discretionary dividend, each Fair Invest client had to transfer cash into a Parekh-controlled bank account in the name of Fair Invest (the "Omnibus Account"). Parekh then transferred the cash to a bank account he controlled in the name of Amsys Invest. Amsys Invest held accounts at two crypto-asset platforms, referred to here as Platform 1 and Platform 2.

14. Amsys Invest used Platform 1 from September 2021 to March 2022, and Platform 2 from February 2022 to August 2022. On each platform, Parekh engaged in crypto-asset transactions to generate the dividends promised to Fair Invest clients. First, he used client cash to buy USDC, which are crypto assets designed to be pegged one-to-one to the U.S. dollar. Second, he loaned the USDC on Platform 1 and Platform 2, which paid depositors of the USDC in exchange for providing liquidity for third-party transactions occurring on those platforms. Specifically, the Amsys Invest accounts earned fees when these third-party crypto-asset transactions settled. At the end of each day, the platforms returned the USD Coins to Amsys Invest accounts along with the fees earned.

15. Through this series of transactions, Fair Invest generated the dividends promised to its clients. Parekh monitored the crypto-asset transactions on the platforms to ensure that they, in his view, generated fees rather than interest. And on Platform 2, he met virtually with platform staff weekly to give specific instructions on where to deposit the USDC. By lending crypto assets on the platforms, Fair Invest generated profits sufficient to provide clients monthly dividends equal to the maximum 4% of their account balances as promised. Fair Invest provided the clients with monthly statements showing these earnings. Amsys Invest retained \$253,058.73 in crypto-asset transaction profits, which was the amount that exceeded the amount needed to pay WBA clients the 4% maximum dividend. These profits were used to pay Fair Invest's business and operational expenses.

Fair Invest and Parekh Made Untrue and Misleading Statements Concerning the WBAs

16. During the WBA offering, Fair Invest's Form ADV, which Parekh signed as Fair Invest's managing member and chief compliance officer and which was provided to the WBA investors, contained the following statements:

- a. Fair Invest and its related persons do not have custody of any advisory clients' cash or securities.

- b. Fair Invest “provides ‘robo-advisory’ portfolio management services via an online interface.” “These automated investment solutions are customized to each client and based on individual characteristics, such as the client’s age, risk tolerance, income, and current assets, among others.”
- c. Fair Invest “uses/recommends long term investing.”
- d. The “Risks of Specific Securities Utilized” pertain to “Equity,” “Exchange Traded Funds,” “Mutual Funds,” and “Commodities,” defined as “tangible assets used to manufacture and produce goods or services.”
- e. “We do not limit the types of investments that we recommend.”
- f. Fair Invest charges clients an annual fee equal to 1% of total assets under management.

17. Fair Invest’s website, which Parekh controlled, stated that “[c]ustodial and brokerage services are provided by Apex Clearing Corporation, a member of the New York Stock Exchange, FINRA and SIPC” and that “Wealth Building Accounts are insured by SIPC through Fair Invest’s use of Apex Custodian accounts.” Fair Invest’s WBA Agreement provided that (1) accountholders “grant Fair Invest the authority to use the funds to invest in accordance with Fair Invest’s investment strategy through mutual funds, equities, Exchange Traded Funds, and commodities;” (2) “specific client investment strategies and their implementation are dependent upon the client’s current situation (income, tax levels, and risk tolerance levels);” and (3) “Fair Invest accounts in Apex Custodian accounts are covered by SIPC insurance.” Parekh also claimed in public statements on the radio and in other venues that the WBA accounts were SIPC insured.

18. The above statements in Paragraphs 16 and 17 were untrue or misleading. First, Fair Invest and its affiliate, Amsys Invest, maintained custody of clients’ cash. Neither Apex nor any other SIPC-insured custodian ever held Fair Invest client assets. Second, Fair Invest never created software to provide “robo” advisory services and never engaged a third party to provide such services. Third, Fair Invest never sought or obtained information to determine each client’s specific risk tolerance, investment strategy, or investment objectives. Fourth, Fair Invest never made long-term investments in equities, ETFs, mutual funds, or commodities, as represented in the Form ADV. Instead, it limited investments to short-term crypto-asset lending. Finally, Fair Invest’s offering materials did not identify whether returns exceeding the 4% promised would be retained by the firm or paid to investors. As discussed above, Amsys Invest retained such profits, a practice that Fair Invest did not disclose until August 11, 2022, when the firm filed an amended Form ADV.

19. Despite maintaining custody of WBA client funds, Fair Invest failed to adhere to the requirements of Advisers Act Rule 206(4)-2, commonly referred to as the “custody rule.” The custody rule provides that it is a fraudulent, deceptive, or manipulative act, practice, or course of business within the meaning of Advisers Act Section 206(4) for a registered investment adviser to have custody of client funds or securities unless, among other things: (1) a qualified custodian, such as a bank or a registered broker-dealer, maintains those funds and securities in a separate account for each client under that client’s name or in accounts that contain only the clients’ funds and

securities, under the investment adviser's name as agent or trustee for the clients; (2) the investment adviser notifies the client in writing of accounts opened at a qualified custodian on the client's behalf, including the qualified custodian's name, address, and the manner in which the funds or securities are maintained; (3) the investment adviser has a reasonable basis for believing that the qualified custodian sends an account statement, at least quarterly, to each of the investment adviser's clients for which it maintains funds or securities; and (4) the client funds and securities are verified by actual examination at least once during each calendar year by an independent public accountant at a time that is chosen by the accountant without prior notice or announcement to the investment adviser and that is irregular from year to year. Here, Fair Invest failed to satisfy the custody rule's notice, account-statement, and examination requirements.

20. Parekh's original plan was for Fair Invest to provide investment advice to WBA accountholders using a robo-adviser model. He used an automated on-line compliance service to prepare the initial Form ADV, which reflected Parekh's original plan. Before accepting any WBA clients, however, he abandoned the original plan, determining that he could achieve the promised dividends by lending crypto assets as described above. But he did not disclose to clients the switch to a crypto-asset lending strategy and did not revise the firm's Form ADV or other documents to disclose the new strategy.

Fair Invest Failed to Disclose Conflicts of Interest

21. In June 2022, Parekh paid \$1 million to Platform 2 for a 3.68% equity stake in Platform 2. At Parekh's direction, Fair Invest continued to direct WBA assets into crypto-asset transactions on Platform 2 until August 2022. As a Platform 2 stockholder, Parekh stood to benefit by directing WBA assets to Platform 2, creating a conflict of interest between Fair Invest's clients on one hand and Parekh and Fair Invest on the other. But Parekh and Fair Invest did not disclose Parekh's ownership interest in Platform 2 or the resulting conflict of interest. Likewise, they failed to disclose that conflicts of interest arose from Amsys Invest's retention of profits on WBA transactions exceeding the 4% maximum dividend, another arrangement in which Parekh stood to benefit.

22. In August 2022, after being contacted by the Commission staff and undertaking a review of its disclosures and practices, Fair Invest stopped accepting new clients and filed an amended Form ADV to describe the crypto-asset transactions made with WBA deposits. Fair Invest paid back all deposits made in WBA accounts, plus the promised 4% dividend earned on the crypto-asset transactions, and wound down its operations.

Violations

23. As a result of the conduct described above, Parekh and Fair Invest willfully² violated

² "Willfully," for purposes of imposing relief under Section 203(e) or 203(f) of the Advisers Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory

Securities Act Sections 5(a) and 5(c), which prohibit any person from selling a security through interstate commerce “[u]nless a registration statement is in effect as to [such] security” and from offering to sell a security through interstate commerce “unless a registration statement has been filed as to such security.”

24. As a result of the conduct described above, Parekh and Fair Invest willfully violated Securities Act Sections 17(a)(2) and 17(a)(3), which make it unlawful for any person in the offer or sale of any security to: (i) obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or (ii) engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

25. As a result of the conduct described above, Parekh and Fair Invest willfully violated Advisers Act Section 206(2), which makes it unlawful for any investment adviser to “engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.”

26. As a result of the conduct described above, Fair Invest willfully violated Advisers Act Section 206(4), which makes it unlawful for any investment adviser to engage in any act, practice, or course of business which is fraudulent, deceptive, or manipulative, as defined by the Commission in rules and regulations promulgated under the statute. Rule 206(4)-2, the custody rule, provides that it is a fraudulent, deceptive, or manipulative act, practice, or course of business within the meaning of Section 206(4) for a registered investment adviser to have custody of client funds or securities unless, among other things, (1) a qualified custodian, such as a bank or a registered broker-dealer, maintains those funds and securities in a separate account for each client under that client’s name or in accounts that contain only the clients’ funds and securities, under the investment adviser’s name as agent or trustee for the clients; (2) the investment adviser notifies the client in writing of accounts opened at a qualified custodian on the client’s behalf, including the qualified custodian’s name, address, and the manner in which the funds or securities are maintained; (3) the investment adviser has a reasonable basis for believing that the qualified custodian sends an account statement, at least quarterly, to each of the investment adviser’s clients for which it maintains funds or securities; and (4) the client funds and securities are verified by actual examination at least once during each calendar year by an independent public accountant at a time that is chosen by the accountant without prior notice or announcement to the investment adviser and that is irregular from year to year.

27. As a result of the conduct described above, Parekh caused Fair Invest’s violations of Advisers Act Section 206(4) and Rule 206(4)-2 thereunder.

Remedial Efforts

In determining to accept the Offer, the Commission considered remedial acts promptly

provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has “willfully omit[ted]” material information from a required disclosure in violation of Section 207 of the Advisers Act).

undertaken by Respondents including repayment of all clients with the promised investment returns, withdrawal of registration as an investment adviser, and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 203(e), 203(f), and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Parekh cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c), 17(a)(2), and 17(a)(3) of the Securities Act and Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-2 promulgated thereunder.

B. Respondent Fair Invest cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c), 17(a)(2), and 17(a)(3) of the Securities Act and Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-2 promulgated thereunder.

C. Respondent Parekh is censured.

D. Respondent Fair Invest is censured.

E. Respondents Parekh and Fair Invest shall, within 14 days of the entry of this Order, pay, jointly and severally, a civil money penalty in the amount of \$100,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard

Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Parekh and Fair Invest as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to B. David Fraser, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Unit 18, Fort Worth, Texas 76102.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agrees that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Parekh and further, any debt for disgorgement, prejudgment interest, civil penalty, or other amounts due by Parekh under this Order or any other judgment, order, consent order, decree, or settlement agreement entered in connection with this proceeding, is a debt for the violation by Parekh of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary