

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

BITSTRADES, BITSTRADESCOIN, and
BITSTRADES FOREX LIMITED

Respondents.

**SUMMARY CEASE
AND DESIST ORDER**

Pursuant to the authority granted to Christopher W. Gerold, Chief of the New Jersey Bureau of Securities ("Bureau Chief"), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. ("Securities Law") and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities ("Bureau"), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Cease and Desist Order ("Order") against Bitstrades, Bitstradescoin and Bitstrades Forex Limited.

The Bureau Chief makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

A. The Respondents

1. Bitstrades, Bitstradescoin and Bitstrades Forex Limited (collectively "Bitstrades") are all parts of the same foreign technology organization that conducts its business on the internet, principally by means of websites accessible at www.bitstrades.com and www.bitstradescoin.com.

2. Bitstrades Forex Limited (“Bitstrades Forex”) is organized in England and Wales, and is incorporated under the Companies Act 2006 as a private company limited by shares. Bitstrades Forex maintains a registered address at 7 Premier Park Road, London, United Kingdom NW107NZ.

3. None of the Bitstrades entities are or have ever been registered to sell securities in the State of New Jersey.

B. The Bitstrades Websites

4. Bitstrades maintains several websites including those accessible at <http://bitstrades.com> (“BT Website”) and at <http://bitstradescoin.com> (“BT Coin Website”), which provide links to the social media platforms used by Bitstrades, including Facebook, Twitter and Google + (collectively with BT Website and BT Coin Website referred to as the “Bitstrades Websites”). The Bitstrades Websites are accessible to the general public, including residents of New Jersey.

5. The BT Website describes Bitstrades as “[a]n open source digital banking platform for Bitcoin & cryptocurrency investment solutions” that offers “financial freedom.” In actuality, Bitstrades is fraudulently offering unregistered securities on the Bitstrades Websites in violation of the Securities Law.

6. Bitstrades claims on the Bitstrades Websites to have completed and raised \$9.4 million in an initial coin offering (“ICO”) of Bitstrades coins (“Bitstrades Coins”) from about September 29, 2017 through November 6, 2017. The BT Coin Website describes Bitstrades Coins as “the open source cryptocurrency with peer to peer and decentralized community allowing multiple storages [sic] and investment opportunities for people in the form of [a] non-government controlled currency.”

7. Although the Bitstrades Websites display the valuations of the Bitstrades Coins, other cryptocurrencies, and its investment offerings in Euros, the Bitstrades Websites specifically discuss policies on purchasing cryptocurrencies “in countries like the USA” and do not preclude investors from the United States from investing in Bitstrades’ investments.

C. Bitstrades Investments

8. Bitstrades offers investments opportunities (“Bitstrades Investments”) to the general public, including New Jersey residents. The Bitstrades Investments, as described below, relate to the purchase of the Bitstrades Coins and the Bitstrades Lending Platform.

9. Bitstrades claims, through a video on the Bitstrades Websites, that investors in the Bitstrades Investments “cannot lose” and may receive “returns of up to 450% of [their] investment” and will receive “guaranteed regular returns.”

10. The Bitstrades Investments, as described on the Bitstrades Websites, constitute fraudulent offers to purchase or sell securities.

11. Bitstrades states that if potential investors purchase and hold Bitstrades Coins in their Bitstrades electronic wallet, they will receive interest in return on the total balance amount of Bitstrades Coins. According to the Bitstrades Websites “. . . [the] beauty in this is that one earns just from holding Bitstrades Coin . . .”

12. Bitstrades further claims:

- a. “Investment policies such as banking of the cryptocurrency hold up to 120% return per annum. This means that an investor can simply earn through holding Bitstrades Coin.”
- b. “Get Bitstrades coin at lowest price and sell at higher prices when the market is strong.”
- c. “Receive interests in return on total balance amount of Bitstrades Coin.”

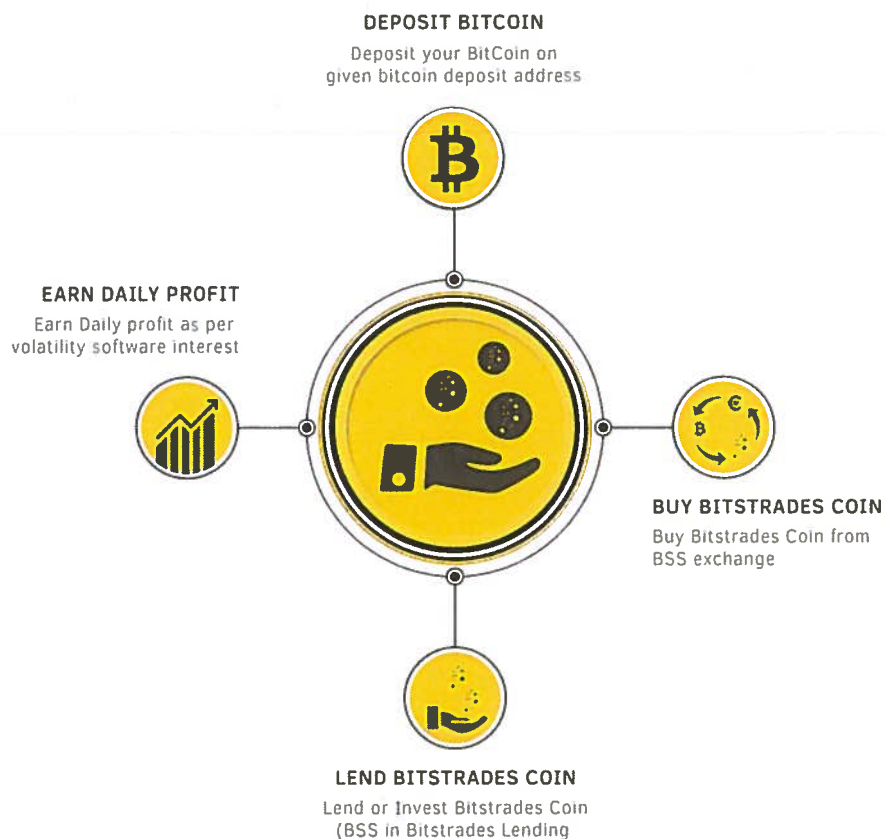
13. Bitstrades also offers an investment it calls the “Bitstrades Lending Platform” on the Bitstrades Websites. Bitstrades describes the Bitstrades Lending Platform as a low risk investment that offers a “secure and transparent system following supply and demand model [sic] providing financial freedom and stable income.”

14. In order to invest in the Bitstrades Lending Platform, potential investors access and use the BT Website. Potential investors in the Bitstrades Lending Platform are required to use Bitcoin to purchase Bitstrades Coins through an exchange integrated in the BT Website.

15. After purchasing Bitstrades Coins, the Bitstrades Coins are deposited into the investor’s electronic wallet. Investors access a dashboard integrated in the BT Website. According to the Bitstrades Websites, potential investors use this integrated dashboard to "lend" their Bitstrades Coins.

16. Bitstrades represents on the Bitstrades Websites that investors' funds are thereafter provided to the “Bitstrades Trading Bot.” According to the Bitstrades Websites, Bitstrades uses the “Bitstrades Trading Bot” and volatility software to generate a profit from these investor funds.

17. Bitstrades publishes the following graphic on the BT Website to demonstrate how the Bitstrades Lending Platform operates:



18. The BT Website contains a chart titled “Lending profit through Bitstrades Lending Platform” (“Profit Chart”), which gives investors the impression that the returns from the Bitstrades Lending Platform are guaranteed, and that the investors will receive their capital investment plus interest back within a set period of time:

LENDING AMOUNT	INTEREST (ACCRUED DAILY)	CAPITAL BACK
€100 - €1000	VOLATILITY SOFTWARE INTEREST	AFTER 289 DAYS
€1001 - €2500	VOLATILITY SOFTWARE INTEREST	AFTER 259 DAYS
€2501 - €5000	VOLATILITY SOFTWARE INTEREST + 0.10% DAILY	AFTER 229 DAYS
€5001 - €10000	VOLATILITY SOFTWARE INTEREST + 0.20% DAILY	AFTER 169 DAYS
€10001 - €100000	VOLATILITY SOFTWARE INTEREST + 0.25% DAILY	AFTER 110 DAYS

19. As explained on the Profit Chart, for lending amounts of €1101 – €2500, Bitstrades represents that investors will earn an unspecified amount of interest to be calculated by its volatility software. For lending amounts of between €2501 – €100000, investors will earn an unspecified amount of interest, calculated by Bitstrades' volatility software, plus additional daily interest, based on the amount invested, ranging from 0.10% to 0.25% per day.

20. At the conclusion of the term, investors purportedly can access the BT Website to receive returns from the Bitstrades Lending Platform or can reinvest the profits in the Bitstrades Lending Platform.

21. Neither the Profit Chart, nor the Bitstrades Websites, notify potential investors of the risks of the investments.

D. The Use of Agents to Offer Bitstrades Investments

22. Bitstrades solicits agents on the Bitstrades Websites, who will be compensated, to sell the Bitstrades Investments. Bitstrades refers to these agents as “promoters” or “representatives” (collectively, “Bitstrades Representatives”). These Bitstrade Representatives are solicited by Bitstrade to direct potential investors, including New Jersey residents, to the BT Websites for the purpose of purchasing Bitstrades Investments.

23. To become a Bitstrades Representative, the qualifying criteria include:

- a. Teaching other Bitstrades members to promote the principles of the Bitstrades community and how to work in a team;
- b. Knowing and sharing the values of Bitstrades and being able to attract new members online and offline;
- c. Having at least 50 active team members with at least €100 in their personal accounts;
- d. Having a personal lending account of €10,000 or more and having a total lending investment of €100,000 under the Bitstrades Representative's network;

- e. Be able to work full-time with Bitstrades and not engage in any other business activities;
- f. Be able to organize an event or seminar in their country and identify potential marketers and trainers under the Bitstrades Representative's network;
- g. Be able to report directly to Bitstrades about changes to cryptocurrency law in the Bitstrades Representative's country; and
- h. Report any fraudulent activity of any Bitstrades community member.

24. The duties of a Bitstrades Representative include:

- a. Assigning potential Bitstrades Representatives to expand Bitstrades' education program;
- b. Providing technical training and education about Bitstrades and cryptocurrencies to all Bitstrades' Representatives;
- c. Organizing events, seminars and promotions for their Bitstrades team;
- d. Managing Bitstrades' office in Bitstrades Representative's country;
- e. Reporting cryptocurrency law changes in the Bitstrades Representative's country; and
- f. Reporting any fraudulent activity of any Bitstrades community member.

25. According to the BT Website, the benefits of being a Bitstrades Representative include receiving:

- a. "[N]umber of percentage of total investment under your team turnover and total investment calculated based on every week;"
- b. An unspecified amount to fund events, seminars, and promotions;
- c. Up to €100,000 in the form of an active Bitstrades lending account to open a physical Bitstrades office and to manage office expenses;
- d. Technical and other support from Bitstrades systems technicians; and
- e. The latest updates, news and future development of the Bitstrades system.

26. Based on the descriptions of the criteria, duties, and benefits, Bitstrades Representatives are agents as defined by N.J.S.A. 49:3- 49(b).

27. Bitstrades creates and distributes marketing materials, which are used by Bitstrades Representatives, including online presentations that describe Bitstrades Coins and the Bitstrades Lending Platform.

28. Bitstrades Representatives are not registered with the Bureau as agents, or exempt from registration.

E. Registration Violations

29. The Bitstrades Investments are securities as defined by N.J.S.A. 49:3-49(m).

30. The Bitstrades Investments are neither registered with the Bureau, nor “federally covered”, nor exempt from registration, as required by the Securities Law.

31. Bitstrades is not registered with the Bureau as a broker-dealer or in any capacity.

32. Bitstrades is using Bitstrades Representatives who are not registered with the Bureau as agents to offer the Bitstrades Investments in New Jersey.

F. Omissions of Material Facts to Potential Investors by Bitstrades in the Offer of the Bitstrades Investments

33. In connection with the offer of securities in the Bitstrades Investments, Bitstrades is omitting the following materials facts:

- a. Identity of its principals;
- b. Physical address and its principal place of business;
- c. Assets and liabilities, or financial information about the business;
- d. Persons or entities that developed Bitstrades Coins, including the number of Bitstrades Coins owned by these persons or entities, and the number of Bitstrades Coins owned by the principals of Bitstrades;
- e. Risks of the Bitstrades Investments;

- f. Financial information about the obligation to pay investors who stake Bitstrades Coins in the Bitstrades wallet, including, but not limited to, the source of funds that will be used to pay investors;
- g. Identity and qualifications of the persons that developed and control the Bitstrades Trading Bot, and volatility software;
- h. Bitstrades Coins are in competition with other virtual currencies and this competition may negatively impact the price of Bitstrades Coins, and
- i. Merchants, vendors and other parties may decline to accept virtual currencies such as Bitstrades Coins, thereby negatively impacting the price of Bitstrades Coins; and
- j. Information about the payment of taxes on any gains or losses;
- k. Bitstrades Representative are not registered as agents as required by the Securities Law; and
- l. Bitstrades Investments are not registered with the Bureau as required by the Securities Law.

G. Untrue Statements of Material Facts and Omissions of Material Facts in Connection With the Offer Of Bitstrades Investments

34. Bitstrades states that the Bitstrades Investments are safe and lucrative investments, which is materially false and misleading because Bitstrades is not disclosing the risks associated with the Bitstrades Investments.

CONCLUSIONS OF LAW

- 35. The Bitstrades Investments are "securities" as defined by N.J.S.A. 49:3-49(m).
- 36. Bitstrades is offering securities that are neither registered with the Bureau, nor "federally covered," nor exempt from registration, in violation of N.J.S.A. 49:3-60.
- 37. Bitstrades is effecting or attempting to effect transactions in securities for the accounts of others or for its own account without registration in violation of N.J.S.A. 49:3-56.
- 38. Bitstrades is engaging in fraud in connection with the offer of securities.

39. In connection with the offer of the Bitstrades securities, Bitstrades is omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading to investors, in violation of N.J.S.A. 49:3-52(b).

40. N.J.S.A. 49:3-67 empowers the Bureau Chief to issue orders that are reasonably necessary to carry out the provisions of the Law.

41. N.J.S.A. 49:3-69(a)(1) empowers the Bureau Chief to issue a cease and desist order against persons engaged in prohibited activities, directing them to cease and desist from further illegal activity or doing acts in furtherance thereof.

42. Bitstrades' violations are continuous and ongoing, therefore making a cease and desist order in the public interest and an appropriate remedy.

ORDER

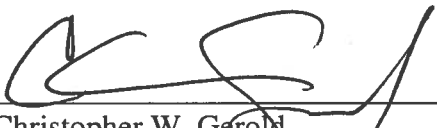
Therefore, based upon all of the foregoing,

It is on this 13th day of February, 2018, hereby **ORDERED** that:

1. Bitstrades and any person, employee, officer, director, entity, agent, Bitstrades representative, or independent contractor under Bitstrades direction or control immediately **CEASE AND DESIST** from:

- a. offering for sale any security in New Jersey until the security is registered with the Bureau or is offered for sale pursuant to an exemption from registration under the Securities Law;
- b. acting as broker-dealers or agents in New Jersey until each is registered with the Bureau or are acting pursuant to an exemption from registration under the Securities Law;

- c. making material misstatements of fact, or omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading in connection with its offer and/or sale of securities in New Jersey; and
 - d. violating any other provisions of the Securities Law and any rules promulgated thereunder for the sale of any security in New Jersey.
2. All exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b) are hereby **DENIED** as to Bitstrades.
3. All exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g) are hereby **REVOKED** as to Bitstrades.



Christopher W. Gerold
Chief, New Jersey Bureau of Securities

NOTICE OF RIGHT TO HEARING

Pursuant to N.J.S.A. 49:3-69(a)(1)(i) the Bureau Chief shall entertain on no less than three days' notice a written application to lift the Order to Cease and Desist on written application of the person subject thereto and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the person subject thereto a written statement of the reasons for the Order to Cease and Desist.

Pursuant to N.J.S.A. 49:3-69(a)(1)(ii), upon service of notice of the Order to Cease and Desist issued by the Bureau Chief, the person subject thereto shall have up to 15 days to respond to the Bureau in the form of a written answer and written request for a hearing. The Bureau Chief shall, within five days of receiving the answer and request for a hearing, either transmit the matter to the Office of Administrative Law for a hearing or schedule a hearing at the Bureau of Securities.

Orders issued pursuant to N.J.S.A. 49:3-69 shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the Order shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the Order shall toll the time for filing an answer and written request for a hearing.

Pursuant to N.J.S.A. 49:3-69(a)(1)(iii), if any person subject to the Order fails to respond by filing a written answer and written request for a hearing with the Bureau or moving to vacate the order within the 15 day prescribed period, that person shall have waived the opportunity to be heard. The Order will be a Final Order and shall remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.