

3. BitConnect Trading LTD was organized in England and Wales as a private company limited by shares on December 6, 2017. The company's service address is 23 St. Elizabeth Avenue, Bootle, England, L206FA.

4. From July 2016 to date, Respondents have not registered, individually or collectively, as a foreign or domestic limited liability company, limited partnership, nor as any other entity designation with the Office of the Georgia Secretary of State Corporations Division.

5. BitConnect LTD, BitConnect International PLC, and BitConnect Trading LTD are all parts of a foreign technology organization that conducts its business on the internet via the website <https://bitconnect.co>. This webpage describes BitConnect as "an open source all in one [B]itcoin and crypto community platform designed to provide multiple investment opportunities with cryptocurrency education where it is entirely possible to find the independence we all desire, in a community of like-minded, freedom loving individuals who, like you, are seeking the possibility of income stability in a very unstable world."

B. BitConnect's Crypto Coin BCC

6. In November 2016, BitConnect launched its initial coin offering creating its own crypto coin called "BitConnect" with a symbol of "BCC." This offering raised an estimated ten million five hundred thousand dollars (\$10,500,000).

7. To buy BCC, investors first were required to purchase Bitcoin through a cryptocurrency exchange. Next, investors had to create an account on <https://bitconnect.co> and transfer their Bitcoin into their BitConnect accounts. Lastly, the investors exchanged Bitcoin in their accounts for BCC.

8. As of August 2, 2018, BCC had a maximum supply of approximately twenty eight million (28,000,000) crypto coins; however, of these coins, only ten million five hundred fifty four thousand four hundred seventy five (10,554,475) coins were available in the market, priced at three thousand three hundred and eighty eight ten-thousandths of a cent (\$.3388) per coin.

C. The BitConnect Lending Program

9. Starting in approximately December of 2016 and abruptly ending on January 17, 2018, BitConnect offered a program called the "BitConnect Lending Program" ("Lending Program") via the company's website, <https://bitconnect.co/bitcoin-information/19/investing-in-bitconnect-lending>.

10. The website showed investors a step-by-step guide that instructed investors the means in which investors could buy and subsequently lend BCC. First, as mentioned above, an investor would buy Bitcoin and exchange it for BCC. Next, the investors were to click on the "lend BitConnect button" located on the same webpage as their accounts, and after clicking on this button, an "invest in BitConnect box" would appear where investors could enter the amount of BCC they wished to lend. Once the investors entered such amount, they would click the "pay from BitConnect wallet" button, and BCC would transfer out of the investors' BitConnect wallets and into BitConnect's lending platform.

11. The Lending Program offered investors a chance to lend their BCC to BitConnect, and in return, BitConnect claimed it would use a “BitConnect trading bot and volatility software” to generate profits for investors in accordance with the advertised interest rates mentioned below. Respondents’ website stated “[u]pon investment term completion, [investors would receive their] **CAPITAL BACK** to take out from the BitConnect lending platform or optionally reinvest back in lending platform to **continue receiving daily profit.**”

12. The Lending Program offered the four following interest rates and terms:

a. Investors who lent BCC in an amount priced between one hundred dollars (\$100.00) and one thousand dollars (\$1,000.00) would receive both their initial capital lent and profit in the form of the “volatility software interest rate,” which could be as much as forty percent (40%) per month, after two hundred and ninety nine (299) days.

b. Investors who lent BCC in an amount priced between one thousand ten dollars (\$1010.00) and five thousand dollars (\$5,000.00) would receive their initial capital lent, the profit in the form of the “volatility software interest rate,” which could be as much as forty percent (40%) per month, and a fixed, daily interest profit of ten percent (10%) after two hundred and thirty nine (239) days.

c. Investors who lent BCC in an amount priced between five thousand ten dollars (\$5010.00) and ten thousand dollars (\$10,000.00) would receive their initial capital lent, the profit in the form of the “volatility software interest rate,” which could be as much as forty (40%) per month, and a fixed, daily interest profit of twenty percent (20%) after one hundred and seventy nine (179) days.

d. Investors who lent BCC in an amount priced between ten thousand and ten dollars (\$10,010.00) and one hundred thousand dollars (\$100,000.00) would receive their initial capital lent, the profit in the form of the “volatility software interest rate,” which could be as much as forty percent (40%) per month, and a fixed, daily interest profit of twenty five percent (25%) after one hundred and twenty (120) days.

13. At the end of the aforementioned terms, an investor, who elected not to reinvest in the Lending Program, would receive U.S. Dollars in accordance with whichever of the aforementioned terms the investor selected.

D. The Use of Sales Agents to Solicit Investments in the Lending Program

14. In order to promote the Lending Program, BitConnect recruited existing investors in the Program, called “affiliates,” to become sales agents for the Program.

15. BitConnect encouraged affiliates to promote BCC via social media, blogs, videos, websites, and etc. Specifically, BitConnect provided its affiliates with marketing materials, including online

presentations that described BCC and the Lending Program. Furthermore, Respondents provided affiliates with online advertisements, often referred to as “banners,” that could be incorporated into webpages and used to solicit investments for both the BitConnect Staking Program (“Staking Program”), mentioned below, and the Lending Program.

16. Respondents paid affiliates a commission whenever new investors used an affiliate’s unique hyperlinks, provided by BitConnect and known as “referral link,” to buy BCC. The amount of such commission, which Respondents paid in Bitcoin, was based on an affiliate’s placement in a multi-level matrix of other affiliates and ranged from two to five percent (2-5%) of the new investor’s investment.

17. Affiliates used such “referral links” to offer investments in the Lending Program. For example, an affiliate known as “JOEY ROCKET” explains how to invest in and promotes the Lending Program via a YouTube video. This affiliate tells investors to use the referral link <https://bitconnect.co/?ref=JoeyRocket> when investing in BCC, and that he will receive a commission if they do so.

18. Respondents’ failed to disclosed that in order for BitConnect’s affiliates to receive a commission for new investments in BCC, such affiliates are required to be registered as broker-dealer agents with the Commissioner, pursuant to O.C.G.A. § 10-5-31.

19. On December 23, 2017, after a Georgia investor (“Investor”) saw several internet ads and YouTube channels that promoted BCC to viewers and subscribers and the money such promoters made by investing in BCC, she invested ten thousand five hundred dollars (\$10,500.00) worth of BCC into the Lending Program.

20. On January 17, 2018, abruptly, Respondents closed the Program, and instead of returning the Investor’s initial capital of ten thousand five hundred dollars (\$10,500.00) in U.S. dollars, Respondents returned the Investor thirty six (36) BCC, which were collectively worth about six hundred sixty three dollars and twelve cents (\$663.12). The Investor suffered a loss of approximately nine thousand eight hundred and thirty six dollars and twelve cents (\$9,836.88).

E. The BitConnect Staking Program

21. Respondents also offered potential investors in Georgia the opportunity to earn interest of up to one hundred twenty percent (120%) by investing in the Staking Program.

22. BitConnect’s website represented the following:

- a. BCC was “the investment tool [investors] need to jump start [their] financial security;”
- b. Investors could “[s]ecure [their] future by gaining quick profit growth for tomorrow that is practical and attainable;”
- c. The investment ensured “financial freedom [was] available and [investors could] start today. Store and invest... wealth and earn substantial interest and investment;” and

d. Investors who purchased BCC were purchasing “an interest bearing asset with 120% return per year. It is that simple.”

23. Respondents’ website also stressed profitability for investors asserting that investors could “begin staking or holding [BCC] and watch [their] interest grow,” and “the more [investors held,] the more [they] earn[ed].”

24. BitConnect’s website made representations that the amount of interest paid to investors was contingent upon the dates of their investment in accordance with the following terms:

- a. Interest was paid at a rate of sixty percent (60%) for the period of January 2017, through June 2017, which is equivalent to ten percent (10%) interest per month;
- b. Interest was paid at a rate of fifty percent (50%) for the period of July 2017, through December 2017, which is equivalent to eight percent (8%) interest per month;
- c. Interest was paid at a rate of forty percent (40%) for the period of January 2018, through June 2018, which is equivalent to seven percent (7%) interest per month;
- d. Interest was paid at a rate of thirty percent (30%) for the period of July 2018, through December 2018, which is equivalent to five percent (5%) interest per month;
- e. Interest was paid at a rate of twenty percent (20%) for the period of January 2019, through June 2019, which is equivalent to three percent (3%) interest per month; and
- f. Interest was paid at a rate of ten percent (10%) for the period of July 2019, through December 2019, which is equivalent to one and four tenths of a percent (1.4%) interest per month.

25. Respondents’ website made representations that the interest was earned through “Proof of Stake Minting” According to Respondents’ website, “Proof of Stake Minting is the process in which block rewards are distributed to those helping to maintain the security of the network via proof of holding, in this case holding [BCC]”

26. Investors had access to the Staking Program via Respondents’ website, and as mentioned above, investors were required to convert Bitcoin into BCC. Unlike the Lending Program, this Program required investors to download the BitConnect-QT wallet via a link on BitConnect’s website. Next, investors had to transfer and then hold the BCC in their BitConnect-QT wallets for at least fifteen (15) days to earn profits via interest.

27. Investors’ earnings were based on the amount of time and number of BCC, the “stake,” they held in the wallet, but after fifteen (15) days, investors could terminate their investment and receive a return of their BCC plus the interest accrued through the date of termination.

F. The Initial Coin Offering of BitConnectX

28. Approximately a week before BitConnect closed the Lending Program, on or about January 10, 2018, Respondents instituted an initial coin offering for the coin known as BitConnectX (“BCCX Offering”) with a symbol of BCCX. Concluding on or about February 23, 2018, the BCCX Offering raised around five hundred eighty eight millions dollars (\$588,000,000.00).

29. According to the BitConnectX website, as of August 3, 2018, the maximum supply of BCCX was around forty nine million (49,000,000) crypto coins with only approximately fourteen million seven hundred thousand (14,700,000) BCCX coins available in the market, which will be available to trade on open exchanges “soon.”

II. CONCLUSIONS OF LAW

30. Paragraphs 1 through 29 are incorporated by reference as though fully set forth herein. The Commissioner has jurisdiction over this matter pursuant to the Act.

31. Pursuant to O.C.G.A. § 10-5-70, *et seq.*, the Commissioner is authorized to institute this investigation and issue this Order.

32. Pursuant to O.C.G.A. § 10-5-73, the Commissioner may issue an order directing a person to cease and desist from engaging in the act, practice, or course of business if the Commissioner determines that the person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or Rule adopted thereunder.

33. The investment contracts offered and issued by the Respondents, detailed above, are “securities” as defined by O.C.G.A. § 10-5-2(31). With respect to each Program and the BCCX Offering, investors expected to profit through both interest earned in the Lending and Staking Programs and the appreciation of BCCX. Second, investors’ expectations of profits were based on the efforts of others, including the “BitConnect trading bot and volatility software,” BitConnect’s efforts to develop and advance its trading platform providing investors a profit via interest derived from their “stakes,” and Respondents’ launch of BCCX to the public market.

34. Pursuant to O.C.G.A. § 10-5-20, “[i]t is unlawful for a person to offer or sell a security in [Georgia] unless: (1) [t]he security is a federal covered security, (2) [t]he security, transaction, or offer is exempted from the registration requirement, or (3) [t]he security is registered under this chapter.”

35. Because the Lending Program, Staking Program, and the BCCX Offering, detailed in paragraphs nine (9) through twenty-nine (29) and thirty-three (33) above, individually constitute “securities,” and Respondents have neither registered said securities, pursuant to the Act, nor asserted that these securities were exempt from the Act’s registration requirements, Respondents have violated O.C.G.A. § 10-5-20. This violation is an actionable event pursuant to O.C.G.A. § 10-5-73, and therefore, Respondents are subject to discipline.

36. Pursuant to O.C.G.A. § 10-5-50, “[i]t is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly: (1) [t]o employ a device, scheme, or artifice to defraud; (2) [t]o make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or (3) [t]o engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.”

37. During the offer and sale of the securities related to both the Lending and Staking Programs, detailed in paragraphs nine (9) through twenty-seven (27) above, Respondents misrepresented and/or failed to disclose: 1) the identity of BitConnect’s principals and the true location of BitConnect’s operations and management; 2) information related to the assets and liabilities of BitConnect or any other information that described the means by which Respondents could provide investors with guaranteed daily returns with no risk of loss, regardless of the market conditions; 3) the securities offered were securities and were not registered with the Commissioner nor exempt from such registration; and 4) the affiliates, who received commissions for their promotion and sale of the offered securities, were required to be properly registered as broker-dealer agents under the Act. Consequently, the forgoing constitute material misrepresentations and omissions each of which are in violation of O.C.G.A. § 10-5-50. These violations are actionable events pursuant to O.C.G.A. § 10-5-73, and as a result, Respondents are subject to discipline.

38. Additionally, by discontinuing the Lending Program and returning to the Investor only six hundred and sixty three dollars and twelve cents (\$663.12) of BCC, of the ten thousand five hundred dollars (\$10,500.00) the Investor originally invested, Respondents affirmatively misrepresented that investors, who lent BCC in an amount priced between ten thousand and ten dollars (\$10,010.00) and one hundred thousand dollars (\$100,000.00), were guaranteed their initial capital lent plus profits through both a guaranteed daily interest rate of twenty five percent (25%) and monthly interest rate up to forty percent (40%) after one hundred twenty (120) days from their initial investment. The foregoing statements and representations made by the Respondents constitute untrue statements of material fact, and accordingly, such statements are violations of O.C.G.A. § 10-5-50 and actionable events pursuant to O.C.G.A. § 10-5-73. Thus, Respondents are subject to discipline.

III. ORDER

WHEREFORE, by the authority vested in me as the Commissioner of Securities for the State of Georgia, **IT IS HEREBY ORDERED**:

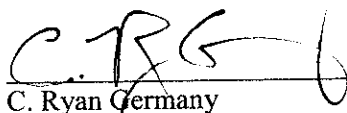
1. That of **BitConnect LTD, BitConnect International PLC, and BitConnect Trading LTD CEASE AND DESIST** from all violations of the Georgia Uniform Securities Act of 2008 and the rules and regulations adopted thereunder.

The entry of this Order is deemed to be in the public interest, and shall not be deemed to constitute

findings or conclusions relating to other persons unrelated to Respondents and shall not be deemed to be a waiver or estoppel on the part of the Commissioner from proceeding in individual actions against any person who may have violated the Act or any transactions not specifically referred to herein or not known to the Commissioner at the time this Order was issued.

SO ORDERED this 28th day of October, 2018.

BRIAN P. KEMP
SECRETARY OF STATE
COMMISSIONER OF SECURITIES

By: 
C. Ryan Germany
Assistant Commissioner of Securities