

1
2 STATE OF OREGON
3 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
4 DIVISION OF FINANCIAL REGULATION

5 In the Matter of

Case No. S-18-0067

6 PLATINUM TRADING COMPANY,

7 Respondent.

8
9 FINAL ORDER TO CEASE AND
10 DESIST, FINAL ORDER DENYING
11 USE OF EXEMPTIONS, AND FINAL
12 ORDER ASSESSING CIVIL
13 PENALTIES, ENTERED BY DEFAULT

14 On February 12, 2019, the Director of the Department of Consumer and Business
15 Services for the State of Oregon (“Director”), by and through the Division of Financial
16 Regulation (“Division”), served Notice of Administrative Order S-18-0067 (“Notice”) on
17 Platinum Trading Company (“Respondent”), providing notice that the Director intended to
18 issue an order to cease and desist, deny use of exemptions, and assess civil penalties for
19 violations of Oregon Revised Statutes (“ORS”) 59.005 to 59.505, 59.991 and 59.995 (the
20 “Oregon Securities Law”) and the Oregon Administrative Rules (“OAR”) promulgated
21 under those laws.

22 The Division attempted to serve the Notice at all locations known or believed to be
23 addresses of Respondent, including: 10 East 53rd St., 28th Floor, New York, NY 10022;
24 and 10 Corporate Drive, Burlington, MA 01803. Those service attempts were unsuccessful.
25 Therefore, on April 1, 2019, in accordance with ORS 60.731(2)(c), the Division served the
26 Secretary of State as an agent for Respondent.

27 The Notice offered Respondent an opportunity for a hearing if requested within 20
28 days of service of the Notice. The Notice further informed Respondent that if a hearing
29 was not conducted because Respondent did not timely request a hearing or otherwise
30 defaulted, then the designated portion of the Division’s file and all materials submitted by
31 Respondent in this case would automatically become part of the contested case record for

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 the purpose of proving a prima facie case.

2 The Director did not receive from Respondent a request for a hearing and did not
3 conduct a hearing.

4 The Director finds that the record of this proceeding proves a prima facie case.

5 Now, therefore, after considering the relevant portions of the Division's file relating
6 to this matter, the Director finds and orders as follows.

7 **FINDINGS OF FACT**

8 The Director FINDS that:

9 1. At all relevant times, Respondent purported to operate out offices around the
10 world, including in New York, NY.¹

11 2. Between approximately January 2017 and April 2018, Respondent operated
12 an investment scheme pursuant to which it solicited investors to invest in cryptocurrency,
13 such as Bitcoin.

14 3. Respondent advertised and solicited investors using the internet, including on
15 the social media websites Facebook and LinkedIn, and such advertisements were
16 accessible in Oregon.

17 4. At least two Oregonians invested in Respondent's scheme, identified herein as
18 JP and MT.

19 5. On or about November 16, 2017, JP invested \$1,000 in Respondent with the
20 expectation that Respondent would invest that money in the cryptocurrency Bitcoin on
21 behalf of JP.

22 6. To initiate his investment, JP completed an "Investment Contract" that
23 Respondent provided to him.

24 7. JP also signed a "Participation Form," authorizing Respondent to use his
25 funds as part of a "pooled fund" investment, whereby Respondent would combine JP's

26 ¹ Respondent never registered to do business in Oregon with the Oregon Secretary of State.





1 investment with others' investments and spread those funds "across various investment
2 vehicles." The Participation Form stated that withdrawal "can be made at any time," and
3 further indicated that "expected returns" ranged from "300% ROI in 6 months" to
4 "1450% ROI in 12 months."

5 8. JP agreed to invest his \$1,000 for a period of 90 days at a rate of 30%.
6 Respondent informed JP that he would receive interest of \$1,197 for a total expected
7 return on investment of \$2,197 (principal plus interest). At one point, JP's online account
8 information through Respondent's website indicated his investment increased from his
9 initial \$1,000 investment up to a total value of \$5,000.

10 9. JP subsequently made requests to Respondent to withdraw his funds.
11 Respondent failed to respond to these requests and JP never received a return of his
12 principal investment or any interest. Accordingly, JP lost his entire \$1,000 investment.

13 10. On or about January 9, 2018, MT invested \$3,000 in Respondent with the
14 expectation that Respondent would invest that money in the cryptocurrency Bitcoin on
15 behalf of MT.

16 11. MT made this investment through an intermediary, as described below.

17 12. MT subsequently made requests to Respondent to withdraw his funds.
18 Respondent failed to respond to these requests and MT never received a return of his
19 principal investment or any interest. Accordingly, MT lost his entire \$3,000 investment.

20 13. JP and MT invested in Bitcoin through Respondent as an investment, with the
21 expectation that the Bitcoin and thus their investments would increase in value. These
22 investments were structured such that Respondent would pool together investors' funds
23 and that Respondent would be responsible for managing their investments.

24 14. As part of its scheme, Respondent collected investment funds through
25 intermediaries, thereby obscuring the flow of funds from investors to Respondent.

26 15. Respondent recruited at least one Oregonian, identified herein as LS, to act as



1 such an intermediary.²

2 16. On or about July 28, 2017, LS signed an “Independent Contractor Agreement”
3 with Respondent.

4 17. Pursuant to the terms of her contract with Respondent, LS maintained a
5 personal bank account to receive investors’ funds and to purchase cryptocurrency with
6 those funds.

7 18. Pursuant to her contract with Respondent, LS received funds from various
8 investors in her bank account, generally via wire transfer. At the direction of Respondent,
9 LS used those funds to purchase cryptocurrency such as Bitcoin, which she then
10 transferred to digital wallets owned by Respondent.

11 19. At different times during their contract, Respondent paid LS either a flat fee or
12 a percentage of the investment per transaction.

13 20. LS funneled hundreds of thousands of dollars in the foregoing manner from
14 investors to Respondent at Respondent’s direction.

15 21. At no relevant time did Respondent register any securities with the State of
16 Oregon.

17 22. At no relevant time did LS hold an Oregon salesperson license.

18 CONCLUSIONS OF LAW

19 The Director CONCLUDES that:

20 23. Under ORS 59.015(19)(a), a “security” is defined to include an investment
21 contract.

22 24. The sale of cryptocurrency for investment purposes in the manner described
23 above, in which individuals invest money in a common enterprise with the expectation of
24 profit to be made through the management or control of Respondent, constitutes an
25 investment contract and thus is a “security” under ORS 59.015(19)(a).

26 _____
² See related Division case number S-18-0098.



1 through LS's bank account in order to obscure the flow of funds, Respondent directly or
2 indirectly, in connection with the purchase or sale of a security, engaged in an act, practice,
3 or course of business which operates as a fraud or deceit upon investors, in violation of
4 ORS 59.135(3).

5 34. Under ORS 59.245(4), if the Director has reason to believe that any person has
6 engaged, is engaging, or is about to engage in any violation of the Oregon Securities Law,
7 the Director may issue an order, subject to ORS 59.295, directed to the person to cease and
8 desist from the violation or threatened violation.

9 35. Because the Director has reason to believe that Respondent has been engaged
10 and is engaging in the foregoing violations of the Oregon Securities Law, the Director may
11 issue an order directed to Respondent to cease and desist from violating the Oregon
12 Securities Law, under ORS 59.245(4).

13 36. Under ORS 59.045(2), the Director may by order withdraw, condition, or deny
14 the use of any exemption by a person if the Director has reason to believe that the person
15 has engaged in or is about to engage in an act or practice constituting a violation of the
16 Oregon Securities Law or that the use of any exemption by that person would work a fraud
17 or imposition on purchasers.

18 37. Because the Director has reason to believe that Respondent has engaged in the
19 foregoing acts or practices that constitute violations of the Oregon Securities Law and
20 further than the use of exemptions by Respondent would work a fraud or imposition on
21 purchasers, the Director may deny Respondent the use of exemptions set forth in ORS
22 59.025 and ORS 59.035.

23 **ORDERS**

24 The Director ISSUES the following ORDERS:

25 *Order to Cease and Desist*

26 38. Pursuant to ORS 59.245(4), the Director hereby ORDERS Respondent, and all

1 entities owned or controlled by Respondent, its successors and assignees, to CEASE AND
2 DESIST from violating any provision of the Oregon Securities Law, ORS 59.005 to
3 59.505, 59.991 and 59.995, or any administrative rule adopted by the Director under those
4 statutes.

5 Order Denying Use of Exemptions

6 39. Pursuant to ORS 59.045(2), the Director hereby DENIES Respondent, and all
7 entities owned or controlled by Respondent, its successors and assignees, the use of
8 securities and transactions exemptions that would otherwise be available under ORS
9 59.025 and ORS 59.035.

10 Order Assessing Civil Penalties

11 40. Pursuant to the authority of ORS 59.995(1), the Director may assess CIVIL
12 PENALTIES of not more than \$20,000 for every violation against persons who violate or
13 who procure, aid, or abet in the violation of ORS 59.005 to 59.505.

14 41. The Director hereby assesses CIVIL PENALTIES against Respondent in the
15 amount of forty thousand dollars (\$40,000) as follows:

16 A. A CIVIL PENALTY of ten thousand dollars (\$10,000.00) for offering and
17 selling securities in Oregon without the securities being registered or exempt
18 from registration, in violation of ORS 59.055.

19 B. A CIVIL PENALTY of ten thousand dollars (\$10,000.00) for employing a
20 salesperson to act in this state without being licensed as a salesperson under the
21 Oregon Securities Law, in violation of ORS 59.165(3).

22 C. A CIVIL PENALTY of twenty thousand dollars (\$20,000.00) for directly
23 or indirectly, in connection with the purchase or sale of any security, employing
24 a device, scheme, or artifice to defraud and engaging in an act, practice, or
25 course of business which operates as a fraud or deceit upon investors, in
26 violation of ORS 59.135(1) and (3).



1 42. Entry of this Order in no way limits or prevents further remedies, sanctions, or
2 actions which may be available to the Director under Oregon law to enforce this Order,
3 for violations of this Order, for conduct or actions of Respondent that are not covered by
4 this Order, or against any party not covered by this Order.

5 43. This Order is a “Final Order” under ORS 183.310(6)(b). Subject to that
6 provision, the entry of this Order does not limit other remedies that are available to the
7 Director under Oregon law.

8 IT IS SO ORDERED.

9 Dated this 23rd day of April _____, 2019.

10 CAMERON SMITH, Director
11 Department of Consumer and Business Services

12
13 /s/Dorothy Bean
14 Dorothy Bean, Chief of Enforcement
15 Division of Financial Regulation

16
17 **NOTICE OF RIGHT TO JUDICIAL APPEAL**

18 Judicial review of final orders in contested cases is governed by ORS 183.482.
19 Respondent may request judicial review by filing a petition with the Court of Appeals in
20 Salem, Oregon, within 60 days from the date this order is served.

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Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

