

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

4 In the Matter of

Case No. S-19-0064

5 LUMENTRADES FINANCIAL
6 INCORPORATED,

7 Respondent.

FINAL ORDER TO CEASE AND
DESIST, FINAL ORDER DENYING
USE OF EXEMPTIONS, AND FINAL
ORDER ASSESSING CIVIL
PENALTIES, ENTERED BY DEFAULT

8 On December 18, 2019, the Director of the Department of Consumer and Business
9 Services for the State of Oregon (“Director”), by and through the Division of Financial
10 Regulation (“Division”), served Notice of Administrative Order S-19-0064 (“Notice”) on
11 Lumentrades Financial Incorporated (“Respondent”). The Notice provided notice that the
12 Director issued an order to cease and desist and further proposed to deny the use of
13 exemptions and to assess civil penalties for violations of Oregon Revised Statutes (“ORS”)
14 59.005 to 59.505, 59.991 and 59.995 (the “Oregon Securities Law”) and the Oregon
15 Administrative Rules (“OAR”) promulgated under those laws.

16 The Division successfully served the Notice on Respondent’s Oregon registered
17 agent and on Respondent’s office in the United Kingdom.

18 The Notice offered Respondent an opportunity for a hearing if requested within 20
19 days of service of the Notice. The Notice further informed Respondent that if a hearing
20 were not conducted because Respondent did not timely request a hearing or otherwise
21 defaulted, then the designated portion of the Division’s file and all materials submitted by
22 Respondent in this case would automatically become part of the contested case record for
23 the purpose of proving a prima facie case.

24 The Director did not receive from Respondent a request for a hearing and did not
25 conduct a hearing. The Director finds that the record in this proceeding proves a prima
26 facie case.

Division of Financial Regulation
Labor and Industries Building
350 Winter Street NE, Suite 410
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1 Now, therefore, after considering the relevant portions of the Division’s file relating
2 to this matter, the Director finds and orders as follows.

3 **FINDINGS OF FACT**

4 The Director FINDS that:

5 1. At all relevant times, Respondent has been a domestic business corporation
6 with a purported principal place of business at 1455 Northwest Irving Street in Portland,
7 Oregon.

8 2. Respondent also purports to maintain an office in the United Kingdom at Suite
9 C 5th floor, Connect Centre, Kingston Crescent, Portsmouth, PO2 8QL.

10 3. At all relevant times, Respondent has maintained a website at
11 www.lumentrades.com (the “Website”).

12 4. On the Website, Respondent represents itself as a full-service brokerage firm.
13 On the Website, Respondent states, “Lumentrades was founded on 21st January 2004, we
14 offer full brokerage services, and have been operating successfully till date.” The Website
15 also states, “We trade stocks, forex, cryptocurrency, ETFs and mutual funds.”

16 5. The Website states, “Lumentrades USA having its registered office at 1455
17 NORTHWEST IRVING STREET, PORTLAND, OR 97209, UNITED STATES. [sic] is
18 licensed to deal or make arrangements in investments as agent or principal on a matched
19 principal basis and hold client money.” (Capitalized words in original.)

20 6. The Website also advertises the “Lumentrades Investment Program,” which
21 allows “investments in the programme with as low as \$5,000” and promises “a guaranteed
22 monthly profit of 20%” and a return of the principal investment after six (6) months.

23 7. On or about August 11, 2018, a Florida resident identified herein as AM entered
24 into a written contract with Respondent to invest in the Lumentrades Investment
25 Programme (the “Contract”).

26 8. The Contract promised, among other things, that AM would “earn 20%” of the





1 amount he invested each month for twelve (12) months, after which period his principal
2 investment would be returned.

3 9. On or about October 25, 2018, AM asked Respondent how to fund his account.
4 Respondent informed AM that he should send his money to an individual identified herein
5 as NT, and provided AM with bank account information to use to wire money to NT.¹
6 When AM asked why he would be sending money to that individual, Respondent stated
7 that NT would serve as AM’s “account manger.”

8 10. On or about November 2, 2018, AM invested \$9,500, which he wired to NT.

9 11. Based on Respondent’s website and conversations with Respondent, AM
10 understood that his funds would be invested in cryptocurrency, including Bitcoin.

11 12. AM invested the funds in part because Respondent advertised its program as a
12 “passive” investment and that the “investment is managed by our team of traders.”

13 13. On or about December 10, 2018, AM asked Respondent how to withdraw some
14 of his funds.

15 14. Respondent informed AM that he could withdraw funds upon paying a
16 “withdrawal fee” of \$1,800 to an “agent.”

17 15. Respondent provided AM with the name and bank account information of an
18 individual identified herein as RH and instructed AM to wire the withdrawal fee to RH.²

19 16. On December 10, 2018, AM wired \$1,800 to RH.

20 17. On or about April 17, 2019, AM exchanged messages with an employee of
21 Respondent identified as Michael Richardson. AM requested that his money be returned to
22 him. Mr. Richardson informed him that his investment could not be returned unless AM
23 paid an additional \$3,000 to “clear” a “virus” on AM’s account.

24 18. AM never received a return of his principal investments or any interest
25

26 ¹ See related Division case number S-19-0111
² See related Division case number S-19-0112.

1 payments.

2 19. On May 14, 2019, a Division investigator served Respondent via electronic and
3 regular mail with a subpoena duces tecum to request the production of specified
4 documents.

5 20. That same day, Respondent, through Mr. Richardson, responded to the Division
6 investigator's email. Respondent failed to produce any documents or to otherwise comply
7 with the subpoena.

8 21. At no time has Respondent been licensed as a broker-dealer in Oregon.

9 22. At no relevant time did Respondent register any securities with the State of
10 Oregon.

11 23. At no relevant time did NT or RH hold an Oregon salesperson license.

12 CONCLUSIONS OF LAW

13 The Director CONCLUDES that:

14 24. Under ORS 59.015(19)(a), a "security" is defined to include an investment
15 contract, a note, and evidence of indebtedness.

16 25. The Contract, as described above, in which individuals invest money in
17 common enterprise with the expectation of profits to be managed and controlled by
18 Respondent, constitutes an investment contract and thus a "security" under ORS
19 59.015(19)(a).

20 26. The Contract, as described above, in which Respondent acknowledged a debt
21 owed to the investor and promised to make interest payments and then to return the capital
22 investment after twelve (12) months, and which transaction was motivated by a scheme
23 that Respondent held out as an "investment," constitutes a note and thus a "security" under
24 ORS 59.015(19)(a).

25 27. The Contract, as described above, in which an individual invests money and
26 Respondent acknowledges it owes a debt for that investment, and which constitutes an



1 obligation to pay in the future for consideration presently received, constitutes evidence of
2 indebtedness and thus a “security” under ORS 59.015(19)(a).

3 28. Under ORS 59.055, it is unlawful to offer or sell any security in Oregon
4 unless the security is registered, the security or the sale is exempt from registration, or the
5 security is a federal covered security for which a notice has been filed and a fee has been
6 paid.

7 29. The securities which Respondent sold, as described above, were not registered
8 for sale in Oregon, were not exempt from registration, and were not federal covered
9 securities.

10 30. By offering and selling the foregoing securities in Oregon without the
11 securities being registered or exempt from registration, Respondent violated ORS 59.055.

12 31. Under ORS 59.165(3), it is unlawful for an issuer or owner of securities to
13 employ a salesperson to act in this state unless the salesperson is licensed under the Oregon
14 Securities Law to the issuer or owner of securities.

15 32. By employing NT and RH as a salespersons to act in Oregon while neither NT
16 nor RH were licensed under the Oregon Securities Law to Respondent, Respondent
17 violated ORS 59.165(3).

18 33. Under ORS 59.135(2), it is unlawful for any person, directly or indirectly, in
19 connection with the purchase or sale of any security or the conduct of a securities business
20 to make any untrue statement of a material fact or to omit to state a material fact necessary
21 in order to make the statements made, in the light of the circumstances under which they
22 are made, not misleading.

23 34. By promising AM that it would guarantee a 20% return on the amount he
24 invested each month for twelve (12) months, after which period of time his principal
25 investment would be returned, when in fact Respondent paid no interest nor did it return
26 the principal investment, Respondent violated ORS 59.135(2). By stating on the Website





1 that Respondent “is licensed to deal or make arrangements in investments as agent or
2 principal on a matched principal basis and hold client money” when in fact Respondent is
3 not so licensed, Respondent violated ORS 59.135(2). By promising to release AM’s funds
4 upon the payment of a “withdrawal fee” and failing to release those funds upon such
5 payment, Respondent violated ORS 59.135(2).

6 35. Under ORS 59.135(3), it is unlawful for any person, directly or indirectly, in
7 connection with the purchase or sale of any security or the conduct of a securities business
8 to engage in any act, practice, or course of business which operates or would operate as a
9 fraud or deceit upon any person.

10 36. By selling unregistered securities and by directing NT and RH to funnel AM’s
11 investment in order to obscure the flow of funds, Respondent engaged in an act, practice,
12 or course of business which operates or would operate as a fraud or deceit upon any person,
13 in violation of ORS 59.135(3). Further, by stating on the Website that Respondent “is
14 licensed to deal or make arrangements in investments as agent or principal on a matched
15 principal basis and hold client money” when in fact Respondent is not so licensed,
16 Respondent violated ORS 59.135(3). By promising to release AM’s funds upon the
17 payment of a “withdrawal fee” and failing to release those funds upon such payment,
18 Respondent violated ORS 59.135(3).

19 37. Under ORS 59.315(1), for the purpose of an investigation or proceeding under
20 the Oregon Securities Law, the Director may subpoena witnesses, compel their attendance,
21 take evidence, and require the production of books, papers, correspondence, memoranda,
22 agreements or other documents or records which the Director deems relevant or material
23 to the inquiry.

24 38. By failing to comply with the subpoena issued on May 14, 2010, Respondent
25 violated ORS 59.315(1).

26 39. Under ORS 59.245(4), if the Director has reason to believe that any person has



1 engaged, is engaging, or is about to engage in any violation of the Oregon Securities Law,
2 the Director may issue an order, subject to ORS 59.295, directed to the person to cease and
3 desist from the violation or threatened violation.

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

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

13 42. Because the Director has reason to believe that Respondent has engaged in the
14 foregoing acts or practices that constitute violations of the Oregon Securities Law and
15 further than the use of exemptions by Respondent would work a fraud or imposition on
16 purchasers, the Director may deny Respondent the use of exemptions set forth in ORS
17 59.025 and ORS 59.035.

18 43. Under ORS 59.995(1), in addition to all other penalties and enforcement
19 provisions provided by law, any person who violates or who procures, aids or abets the
20 violation of ORS 59.005 to 59.505, 59.710 to 59.830, 59.991 and 59.995 or any rule or
21 order of the Director shall be subject to a penalty of not more than \$20,000 for every
22 violation, which shall be paid to the General Fund of the State Treasury.

23 **ORDERS**

24 The Director issues the following ORDERS:

25 *Order to Cease and Desist*

26 44. 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 ORS 59.055, ORS 59.165(3), ORS 59.135, and ORS 59.315 or any
3 administrative rule adopted by the Director under those statutes.

4 Order Denying Use of Exemptions

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

9 Order Assessing Civil Penalties

10 46. Pursuant to the authority of ORS 59.995(1), the Director hereby ORDERS the
11 assessment of fifty thousand dollars (\$50,000) in CIVIL PENALTIES against Respondent
12 as follows:

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

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

19 C. A CIVIL PENALTY of ten thousand dollars (\$10,000.00) for failing to
20 comply with a subpoena issued in connection with an investigation under the
21 Oregon Securities Law, in violation of ORS 59.315(1).

22 D. 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, making
24 untrue statements of material fact or omitting to state material facts necessary in
25 order to make the statements made, in light of the circumstances under which
26 they are made, not misleading, and engaging in an act, practice, or course of



1 business which operates as a fraud or deceit upon investors, in violation of ORS
2 59.135(2) and (3).

3 **FINAL ORDER**

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

7 IT IS SO ORDERED.

8 Dated this 4th day of February, 2020.

9 LOUIS SAVAGE, Acting Director
10 Department of Consumer and Business Services

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

14 **NOTICE OF RIGHT TO JUDICIAL APPEAL**

15 Judicial review of final orders in contested cases is governed by ORS 183.482.
16 Respondent may request judicial review by filing a petition with the Court of Appeals in
17 Salem, Oregon, within 60 days from the date this order is served. Note that under ORS
18 59.295(2), in the absence of a timely demand for a hearing, no person shall be entitled to
19 judicial review of the order.
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