

New Jersey Bureau of Securities Orders “Bitstrade” to Stop Offering Unregistered Securities in the State

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NEWARK – Attorney General Gurbir S. Grewal and the Division of Consumer Affairs announced that the Bureau of Securities (“the Bureau”) issued an emergency order today to stop Bitstrade, an online cryptocurrency-related investment entity, from fraudulently offering unregistered securities in New Jersey.

In a Summary Cease and Desist Order effective immediately, the Bureau found that Bitstrade is violating the State’s Uniform Securities Law by offering investors an unregistered security in the form of an investment pool that purportedly guarantees up to 10 percent returns which accrue daily on investor funds. Bitstrade is not registered to sell securities in New Jersey.

Bitstrade is further violating the law by failing to disclose key material facts to prospective investors, including the names of its executive officers, the address of its principal office, information about Bitstrade’s financial condition, the risks of the Bitstrade Investment, and how Bitstrade invests investors’ money, the Bureau found.

“The Bureau’s action today reinforces our commitment to protecting investors as they navigate the uncharted and largely unregulated domain of cryptocurrency-related investments,” said Attorney General Grewal. “We want to make sure that investors tempted to cash in on the cryptocurrency rage aren’t being lured into sending funds to an anonymous internet entity without knowing where the funds are going or how they’ll be used.”

On its website at www.bitstrade.org Bitstrade offers the general public an opportunity to invest in the “Bitstrade Investment,” described as an investment pool whereby it collects “multiple lower value investments and grouping them into one single HUGE investment using those funds to trade on the stock market, and generate outstanding returns.” Bitstrade claims to “share back a portion of our revenue” to investors. The website provides a “profit calculator” which purports to compute a potential investor’s profit, rate of return, and term length, but Bitstrade provides no basis to guarantee investment profit, the Bureau found. Bitstrade offers investments for as little as \$10, requiring purchases to be made using the cryptocurrency “Bitcoin.”

“What makes Bitstrade’s fraudulent offer potentially more harmful for unsophisticated investors is that cryptocurrency is virtually anonymous, so there is no recourse for investors to recoup their losses,” said Sharon M. Joyce, Acting Director of the Division of Consumer Affairs. “We’re reminding investors to be extra vigilant about fully vetting what is being sold before investing with cryptocurrency.”

Cryptocurrencies are a medium of exchange that are created and stored electronically in the blockchain, a distributed public database that keeps a permanent record of digital transactions. Current common cryptocurrencies include Bitcoin, Ethereum and Litecoin. Unlike traditional currency, these alternatives

have no physical form and typically are not backed by tangible assets. They are not insured or controlled by a central bank or other governmental authority, cannot always be exchanged for other commodities, and are subject to little or no regulation.

A survey of state and provincial securities regulators by the North American Securities Administrators Association (NASAA), of which the Bureau of Securities is a member, shows 94 percent believe there is a “high risk of fraud” involving cryptocurrencies. Regulators also were unanimous in their view that more regulation is needed for cryptocurrency to provide greater investor protection.

On its website, Bitstrade claims to maintain addresses in Redland, California and Scottsdale, Arizona. According to the Bureau, the California address listed on Bitstrade’s website does not exist. The Arizona address listed is the headquarters of an unrelated, publicly-traded Internet domain registrar and web hosting company, the Bureau found.

“Bitstrade is a prime example of a company seeking to capitalize on the cryptocurrency craze,” said Christopher W. Gerold, Chief of the Bureau of Securities. “Regulators, including the Bureau, are actively responding to fraudulent crypto-cloaked securities offerings.”

The Bureau's action was handled by Deputy Bureau Chief Amy Kopleton and Investigator Raymond Marelick of the Bureau of Securities, within the Division of Consumer Affairs.

The Bureau is charged with protecting investors from investment fraud and regulating the securities industry in New Jersey. It is critical that investors "Check Before You Invest." Investors can obtain information, including the registration status and disciplinary history, of any financial professional doing business to or from New Jersey, by contacting the Bureau toll-free within New Jersey at **1-866-I-INVEST**(1-866-446-8378) or from outside New Jersey at **(973) 504-3600**, or by visiting the Bureau's website at www.NJSecurities.gov. Investors can also contact the Bureau for assistance or to raise issues or complaints about New Jersey-based financial professionals or investments.

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