

# \$4 Billion Crypto-Promoter Ordered to Halt Fraudulent Sales

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The Texas Securities Commissioner has entered an [Emergency Cease and Desist Order](#) to halt the multiple investment programs operated by **BitConnect**, an overseas company that claims a market share of \$4.1 billion for its cryptocurrency coins.

BitConnect is soliciting investors for cryptocurrency-based programs that the company claims will deliver annualized returns of 100% or more, according to the order entered Jan. 4 by Securities Commissioner Travis J. Iles.

BitConnect, based in England, issues its own currency, called BitConnect Coins. The company says it has placed 9.4 million of the coins into the online cryptocurrency marketplace, representing a market value of \$4.1 billion as of Jan. 3. The company has said it will issue a maximum of 28 million coins.

The company requires individuals to use Bitcoin, a more established cryptocurrency, to invest in various BitConnect programs. In one investment called the BitConnect Lending Program, investors purchase BitConnect Coins, which are provided to a “BitConnect Trading Bot” to generate returns as high as 40% a month.

The Securities Commissioner found that the BitConnect investments are securities, but were not registered as required by the Texas Securities Act and State Securities Board Rules and Regulations. In addition, the company is not registered to sell securities in Texas.

Under state law, BitConnect can contest the order at the State Office of Administrative Hearings.

Texas was the first state to issue an administrative order on cryptocurrency investments. The Securities Commissioner on Dec. 20 entered an [Emergency Cease and Desist Order](#) against **USI-Tech Limited**, a Dubai-based firm selling investments tied to Bitcoin mining.

BitConnect has disclosed virtually nothing about its principals, financial condition, or strategies for earning profits for investors. It has not provided a physical address in England.

Despite providing no information on how it will make money for investors – including the algorithms behind the Trading Bot – BitConnect is touting its investments as a “safe way to earn a high rate of return.”

Investing in cryptocurrencies, however, carries significant risk because of regulatory and legal actions, competition from other cryptocurrencies, and the extreme volatility in the price of many cryptocurrencies.

The company operates websites and deploys online advertising to recruit sales agents, which it calls “affiliates.” The company provides marketing material to affiliates, including online presentations, and pays them commissions for referrals that result in investments in BitConnect programs.

Sales agents for BitConnect are targeting Texas residents, as well as residents of other states, through websites, social media, and online marketplaces like craigslist.

The sales agents are not, however, registered as agents of BitConnect to sell securities in Texas.

The Securities Commissioner’s action follows BitConnect’s recent announcement that it will hold an Initial Coin Offering (ICO) in the U.S. on Jan. 9. Companies use coin offerings, also called token sales, to raise capital.

In an ICO, investors buy virtual tokens from a company, which uses the proceeds for business development. BitConnect has not said how it will use the proceeds from token sales in the upcoming ICO.