

[Securities Regulation Daily Wrap Up, ENFORCEMENT—BitConnect shuts down exchange and lending operation in the wake of North Carolina cease-and-desist order, \(Jan. 17, 2018\)](#)

Securities Regulation Daily Wrap Up

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The prospects for BitConnect, a U.K. company that previously described itself as an "an open source all in one bitcoin and crypto community platform designed to provide multiple investment opportunities..." continue to plummet in the aftermath of a cease-and-desist order issued by the State of North Carolina Securities Administrator on January 9, 2018. That proceeding followed closely on the heels of [a similar action](#) brought by the Texas Securities Commissioner on January 4, 2018. As a result, the company announced the closing of its cryptocurrency exchange and lending operation. Meanwhile, the price of the company's BitConnect token ("BitConnect Coin" or BCC) had fallen precipitously, according to [coinmarketcap.com](#), from over \$460.00 in late December to just under \$30.00 as of press time ([In the Matter of BitConnect](#), January 9, 2018). In its action, the Securities Division of the North Carolina Department of Secretary of State's office ordered BitConnect, and its affiliated entities to cease and desist from offering for sale, soliciting offers to purchase, or selling any securities in or from North Carolina, unless applicable securities had been registered and BitConnect, and its affiliated persons are appropriately registered with the secretary of state.

In particular, the state's cease-and-desist order found that that BitConnect was not registered as a dealer or salesman of securities in North Carolina, made misrepresentations, and omitted the disclosure of material facts when offering these investments in the state. Some of the company's misrepresentations included the following:

- BitConnect Coin is the investment tool investors need to jump start their financial security;
- Investors can "secure their future by gaining quick profit growth for tomorrow that is practical and attainable;
- The investment ensures "financial freedom is available and investors can start today. Store and invest wealth and earn substantial interest and investment;" and,
- Investors who purchase BitConnect Coin are purchasing "an interest bearing asset with 120 percent return per year. It is that simple."

The order deemed BitConnect's acts and omissions to be in violation of the North Carolina Securities Act.

BitConnect announced the closing of its exchange and lending platform [on its website](#), and cited a number of reasons for adopting these extreme measures, including:

- Continuous bad press which has made community members uneasy and created a lack of confidence in the platform;
- Having received the cease-and-desist letters from the Texas State Securities Board and North Carolina Secretary of State Securities Division; and,
- Its platform being subject to repeated Dos (Distributed Denial of Service) attacks, which has resulted in interruptions in service and contributed to an increasing sense of panic with community. A Distributed Denial of Service (DDoS) attack is an attempt to make an online service unavailable by overwhelming it with traffic from multiple sources.

The company also indicated that it will continue to provide wallet services, operate a news site, and further educational ends. The website further advised, "[t]his is not the end of this community, but we are closing some of the services on the website platform and we will continue offering other cryptocurrency services in the future." Only time will tell.

The order is [No. 17 SEC 091](#).

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