

Secretary Of State Halts BitConnect Operations

By Administrator

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The North Carolina Secretary of State's Office has entered a Temporary Cease and Desist Order to halt the investment programs operated by BitConnect, a foreign technology organization that conducts its business on the Internet by way of www.bitconnect.co. "These specific BitConnect investment programs are very concerning from a regulatory standpoint," said North Carolina Secretary of State Elaine F. Marshall. "BitConnect offers investment programs whose returns are derived from a secret trading system about which BitConnect has failed to provide material information to investors, including evidence of its very existence."

Secretary of State Division of Securities officials found that the investment programs are unregistered securities being offered by entities and persons that are not registered to sell securities in North Carolina. Further, BitConnect was found to be encouraging members of the investing public to act as unregistered salesmen by selling these unregistered securities in violation of the Securities Act.

When investing in BitConnect's programs, BitConnect requires individuals to exchange Bitcoin, a more established cryptocurrency, for BitConnect Coin tokens. In one of the investment programs, the investors then lend their BitConnect Coin back to BitConnect to fund the trading activities of the proprietary, secret trading system that it calls the "volatility software."

According to statistics on BitConnect's website, the market value of the BitConnect Coin tokens on January 6 was more than \$4.1 billion. On Wednesday, BitConnect also commenced another initial coin offering of a new cryptocurrency it calls BitConnectx, in which it intends to raise more than \$500 million.

Under state law, BitConnect can request a hearing to contest the Temporary Cease and Desist Order. The Temporary Cease and Desist Order will be effective for thirty days, at which time it will become final unless BitConnect requests a hearing in that period.

"Let me be clear," Secretary Marshall said, "we are not condemning cryptocurrencies as a whole. We are targeting this specific investment scheme that involves the BitConnect trading programs. We are aware that there appear to be other cryptocurrency investment schemes offered to North Carolina citizens as well," Secretary Marshall said. "The purported returns from some of these investments appear to be 'too good to be true'. We will continue to investigate these other operators. Meanwhile, people should remember that the only way to avoid having your hard-earned money lost on the Internet because of a fraudulent investment scheme is to not make that investment in the first place."

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The U.S. Securities and Exchange Commission (SEC) and the North American Securities Administrators Association (NASAA) have both issued investor alerts and advisories about cryptocurrencies and investment schemes involving them. On December 27, 2017, the SEC issued its Top 10 list of most popular investor alerts. Alerts about Initial Coin Offerings (ICOs) and Public Companies Making ICO-Related Claims were the top two most popular alerts. On January 4, 2018, NASAA issued a warning about cryptocurrencies and ICOs. Last fall, NASAA also released an informational video called "Get in the Know about ICOs".

Under the North Carolina Securities Act, in most cases investments that involve earning income from cryptocurrency trading systems are securities needing to be regulated in accordance with the Act's legal authority. Anyone offering a security to a North Carolina resident must be registered with the Secretary of State's Division of Securities Office. Citizens can check the registration status of anyone offering investments by calling the NC Investor Hotline at 1-800-688-4507.