

STATE OF NEBRASKA
Department of Banking & Finance

In the Matter of)	
Canadian FX Traders; and)	FINDINGS OF FACT
)	
Its Affiliates, Control Persons, Officers,)	CONCLUSIONS OF LAW
Directors, Agents, Employees, and)	
Successors.)	AND
)	
RESPONDENTS.)	ORDER TO CEASE AND DESIST
)	

THIS MATTER comes before the Nebraska Department of Banking and Finance (“Department”), by and through its Director, pursuant to its authority under the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 to 8-1123 (Reissue 2012; Cum. Supp. 2018, Supp. 2019; LB 909, 2020) (“Act”). Pursuant to Neb. Rev. Stat. § 8-1115 (Reissue 2012), the Department has investigated the acts of Canadian FX Traders (“CFX”), and its affiliates, control persons, officers, directors, agents, employees, and successors. As a result of such investigation, the Department hereby finds as follows:

FINDINGS OF FACT

1. CFX operates a website <https://canfxtraders.com/> which is available to the general public. According to the website, CFX was “created by a group of qualified experts, professional bankers, traders and analysts who specialized in the stock, bond, futures, currencies, gold, silver and oil trading with having more than ten years of extensive practical experiences of combined personal skills, knowledge, talents and collective ambitions for” (sic).

2. CFX's website contains the following testimonials:

Jerry Freeman, Customer-- If you are looking for a real Binary Options company, this is it. CanFx Traders is the best place I have ever seen on the internet.

Sandra Ella, Customer-- Got it. thanks! will invest more. CanFx Traders is the most trusted trading platform. They are legit and paying

Sonia Kumar, Customer—"I'm really excited about CanFx Traders they are the best CanFx Traders platform for investment. I'm happy to invest with your platform. ..."

3. References to investors with CFX will be by way of initials in order to protect the privacy of such individuals. The Respondents are aware or should be aware of the identity of such individuals. The Department shall supply a list of investors referenced in this Order the Respondents simultaneously with service of this Order.

4. LM is a resident of Nebraska. LM had saved money and wanted to invest in cryptocurrency to "get a good return of investment." LM met a woman through social media who called herself "Maria Gomez" who was purportedly an account manager at CFX. Based upon her conversations with Maria Gomez, LM believed CFX would use her funds to conduct "binary trades" in cryptocurrencies ("cryptocurrency investments"). LM was informed that she could invest funds with CFX, and CFX would handle the trading on her behalf. The profits CFX promised to LM were derived solely from CFX's efforts in conducting the trading of the cryptocurrency investments.

5. As a result of her interaction with Maria Gomez, LM invested \$1,500.00 with CFX. Based upon information provided by CFX, LM believed that the trading had been successful as her purported balance had increased to \$38,000.00. When LM attempted to withdraw funds, she was informed that she needed to pay various additional fees to CFX before the funds could be withdrawn. LM paid CFX over \$4,800.00 in additional fees in an attempt to withdraw her funds. Ultimately, LM was unable to withdraw her funds and she lost her entire investment along with the additional fees that she paid to CFX.

6. At all times relevant, the CFX cryptocurrency investments were not registered for sale in Nebraska under the Act. Respondents have not filed a claim of exemption for the cryptocurrency investments with the Department.

7. At all times relevant to this Order, Respondents were not registered as broker-dealers or agents of a broker-dealer under the Act.

CONCLUSIONS OF LAW

1. Neb. Rev. Stat. § 8-1101(15) (LB 909, 2020) defines the term “Security” to include “investment contracts.”

2. In determining whether an instrument is an investment contract, Nebraska follows the test first set forth in *S.E.C. v. W.J. Howey Co.*, 328 U.S. 293 (1946). *See, e.g., State v. Jones*, 235 Neb. 1, 4-5, 453 N.W.2d 447, 451 (1990). The elements of an investment contract are (1) an investment (2) in a common enterprise (3) with a reasonable expectation of profits (4) to be derived from the entrepreneurial or managerial efforts of others. *Id.*

3. Based upon Findings of Fact Nos. 1 through 4, CFX’s cryptocurrency investments constituted an investment contract. The cryptocurrency investments thus constitute securities, as defined by Neb. Rev. Stat. § 8-1101(15) (LB 909, 2020), and are required to be registered or exempt from registration under Neb. Rev. Stat. § 8-1104 (Cum. Supp. 2018).

4. Neb. Rev. Stat. § 8-1108.01 (Cum. Supp. 2018) provides that whenever it appears to the Director that the sale of any security is subject to registration under the Act and is being offered or has been offered for sale without such registration, the Director may order the issuer or offeror of such security to cease and desist from the further offer or sale of such security unless and until it has been registered under the Act.

5. By offering cryptocurrency investment, CFX and its affiliates, control persons, officers, directors, agents, and employees engaged in the business of effecting transactions in securities. Such activity constitutes acting as a broker-dealer, as defined in Neb. Rev. Stat. § 8-1101(2) (LB 909, 2020), or as an agent as defined in Neb. Rev. Stat. § 8-1101(1) (LB 909, 2020).

6. Neb. Rev. Stat. § 8-1108.01(2) (Cum. Supp. 2018) provides that whenever it appears to the Director that any persons are acting as broker-dealers or agents without registration as such, the Director may order such persons to cease and desist from such activity unless and until they have been registered as such under the Act.

7. The issuance of an Order to Cease and Desist is necessary in this matter and appropriate in the public interest and for the protection of investors, and is consistent with the purposes fairly intended by the policy and provisions of the Act.

ORDER

IT IS THEREFORE ORDERED that Canadian FX Traders, and its affiliates, control persons, officers, directors, agents, employees, and successors; and any person or entity directly or indirectly controlled or organized by or on their behalf, are ordered to immediately cease and desist from the further offer or sale of securities until the securities have been registered with the Department, or unless an exemption from registration under existing law can be shown by proof satisfactory to the Department.

IT IS FURTHER ORDERED that Canadian FX Traders, and its affiliates, control persons, officers, directors, agents, employees, and successors; and any person or entity directly or indirectly controlled or organized by or on their behalf, are ordered to immediately cease and desist from the further offer or sale of securities until they have been registered as broker-dealers or

agents with the Department, or unless an exemption from registration under existing law can be shown by proof satisfactory to the Department.

Respondents may file a written request for a hearing with the Department at any time prior to 5:00 p.m. CDT on September 8, 2020. If such a request is received, a hearing shall be held within thirty business days after receipt, unless the parties agree to a later date or a hearing officer sets a later date for good cause shown. The party or parties requesting the hearing shall bear the cost of such hearing. If no hearing is requested and none is ordered by the Director, this Order shall become a final order on September 9, 2020, and remain in effect until modified or vacated by the Director.

DATED this 17 day of August, 2020.



**STATE OF NEBRASKA
DEPARTMENT OF BANKING AND FINANCE**

DocuSigned by:
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Mark Quandahl, Director

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