

1 7. Coinbot held itself out as an “industry leader” and a “professional and reliable
2 company.” Coinbot explicitly advertised several guarantees to investors, including the “fastest and
3 most exciting returns on your investments” and “security of your investment.”

4 8. After investors created their accounts on the Coinbot website, investors could log into
5 their account using their username and password to monitor their purported balance and returns,
6 deposit funds, and request withdrawals.

7 9. Coinbot facilitated deposits and withdrawals using crypto assets, including Tether
8 (USDT).

9 10. As part of its solicitation efforts, Coinbot used a multi-level marketing scheme that
10 would reward investors for inducing others to send money to Coinbot. According to this program,
11 investors would be paid a referral bonus based on the amount of funds deposited by the investors that
12 they recruited. Investors would also be paid additional referral bonuses when the investors that they
13 recruited, in turn, recruited new investors.

14 11. Investors seeking to take advantage of Coinbot’s referral program created and posted
15 videos to YouTube and posted content on other social media websites to recruit others to invest in
16 Coinbot.

17 12. In fact, Coinbot was luring investors into what is known as a High-Yield Investment
18 Program (HYIP). HYIPs are unregistered investments typically run by unlicensed individuals – and
19 are often frauds. The hallmark of an HYIP scam is the promise of high returns on an annual (or even
20 monthly, weekly, or daily) basis at little or no risk to the investor. Another key element of most
21 HYIPs is a referral program, in which the HYIP offers referral commissions or bonuses to investors
22 to recruit new investors. This usually leads to investors sharing information about the HYIP with
23 their friends and family and promoting HYIPs on social media. HYIPs rarely disclose the true
24 identities of the individuals operating the HYIP.

25 13. The Investment Plans offered by Coinbot were securities that were neither qualified
26 nor exempt from the qualification requirement under the CSL. The Department has not issued a
27 permit or other form of qualification authorizing Coinbot to sell these securities in California.
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1 14. In connection with the offer or sale of these securities, Coinbot made, or caused to be
2 made, untrue statements of material fact and material omissions to investors and potential investors,
3 including but not limited to the following:

- 4 a. falsely representing that Coinbot was a “legal company authorized to conduct
5 activities in the investment field”;
- 6 b. failing to disclose that the offer or sale of Coinbot’s securities was not qualified in
7 California;
- 8 c. failing to provide any qualifications to substantiate Coinbot’s claims that it had a team
9 of traders with “seven years” “knowledge and experience” in cryptocurrency trading;
- 10 d. falsely representing Coinbot’s Investment Plans as “reliable income” for investors;
- 11 e. misrepresenting the expected profits and risk of loss; and
- 12 f. failing to disclose that it used investor funds to pay purported profits to other
13 investors, in the manner of a Ponzi scheme.

14 Based on the foregoing findings, the Commissioner is of the opinion that the securities offered
15 or sold by Coinbot were subject to qualification under the CSL and have been or are being offered or
16 sold without first being qualified in violation of Corporations Code section 25110.

17 Pursuant to Corporations Code section 25532, Coinbot is hereby ordered to desist and refrain
18 from the further offer or sale of securities in California, including but not limited to investment
19 contracts known as Investment Plans, unless and until the qualification requirements of the CSL have
20 been met.

21 In addition, the Commissioner is of the opinion that Coinbot offered or sold securities in
22 California by means of oral or written communications which included untrue statements of material
23 facts or omitted to state material facts necessary in order to make the statements made, in the light of
24 the circumstances under which they were made, not misleading, in violation of Corporations Code
25 section 25401.

26 Pursuant to Corporations Code section 25532, Coinbot is hereby ordered to desist and refrain
27 from offering or selling or buying or offering to buy any security in California, including but not
28 limited to investment contracts known as Investment Plans, by means of any written or oral

1 communication which includes an untrue statement of a material fact or omits to state a material fact
2 necessary in order to make the statements made, in the light of the circumstances under which they
3 were made, not misleading.

4 Pursuant to Corporations Code section 25403, any person who controls or induces another
5 person to violate a provision of the Corporate Securities Law of 1968, or any person who provides
6 substantial assistance to another person in violation of the Corporate Securities Law of 1968, shall be
7 liable for the violations.

8 This Order is necessary, in the public interest, for the protection of investors, and is consistent
9 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

10 Dated: April 19, 2023
11 San Diego, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation



12 By _____
13 MARY ANN SMITH
14 Deputy Commissioner
15 Enforcement Division
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