

1 STATE OF CALIFORNIA
2 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
3 DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

4 TO: CloudFi
5 Queen's Road Central
6 Hong Kong
7
8 www.cloudfi.app
9 www.cloudfi.info
10
11 Jan Gregory Cerato

12 **DESIST AND REFRAIN ORDER**
13 **(For violations of sections 25110 and 25401 of the Corporations Code)**

14 The Commissioner of Financial Protection and Innovation (Commissioner) finds that:

15 1. The Department of Financial Protection and Innovation (Department) regulates the
16 offer and sale of securities in California under the Corporate Securities Law of 1968 (Cal. Corp. Code
17 §§ 25000-25707) (CSL).

18 2. At all relevant times, CloudFi is and was a business entity of unknown type with an
19 unknown principal place of business. CloudFi's website falsely claimed that it was a registered as a
20 corporation in Hong Kong and provided an incomplete business address: Queen's Road Central,
21 Central, Hong Kong, China. CloudFi operated the websites www.cloudfi.app and www.cloudfi.info.

22 3. Beginning at least as early as May 2023, Jan Gregory Cerato (Cerato) held himself out
23 as the CEO of CloudFi.

24 4. Cerato controlled and induced or provided substantial assistance to CloudFi within the
25 meaning of Corporations Code section 25403, subdivisions (a) and (b).

26 5. Beginning at least as early as 2023, CloudFi offered and sold securities in the form of
27 investment contracts in California through general solicitations on its website. CloudFi referred to
28 these investment contracts as "Packages."

6. CloudFi held itself out as a cryptocurrency trading platform. The purported purpose of
the securities offerings was for CloudFi to use investor funds to engage in cryptocurrency trading,
which in turn would generate returns for investors who purchased Packages. CloudFi claimed that the

1 cryptocurrency trading would be conducted by an “experienced team of crypto professionals” using
2 artificial intelligence (AI) software.

3 7. CloudFi heavily promoted the benefits of its purported AI software and suggested that
4 investors could expect high returns and sustainable passive income due to this technological
5 advantage. CloudFi acknowledged that “the cryptocurrency market is highly volatile” but claimed
6 that its trading activity produced a “low-risk income stream.”

7 8. CloudFi represented that its Packages produced daily returns of 1.25%, which would
8 be available for investors to withdraw at any time. The Packages were publicly available to investors
9 in California via CloudFi’s websites: www.cloudfi.app and www.cloudfi.info.

10 9. After investors created their accounts on the CloudFi website, investors could log into
11 their account using their username and password to monitor their purported balance and returns,
12 deposit funds, and request withdrawals.

13 10. CloudFi facilitated investor deposits and withdrawals using crypto assets.

14 11. In his role as CEO of CloudFi, Cerato gave recruitment presentations to prospective
15 investors, in which he claimed that investing in CloudFi was “very low risk” and “very sustainable.”

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

21 13. Investors seeking to take advantage of CloudFi’s referral program created and posted
22 videos to YouTube and posted content on other social media websites to recruit others to invest in
23 CloudFi.

24 14. In fact, CloudFi was luring investors into what is known as a High-Yield Investment
25 Program (HYIP). HYIPs are unregistered investments typically run by unlicensed individuals – and
26 are often frauds. The hallmark of an HYIP scam is the promise of high returns on an annual (or even
27 monthly, weekly, or daily) basis at little or no risk to the investor. Another key element of most
28 HYIPs is a referral program, in which the HYIP offers referral commissions or bonuses to investors

1 to recruit new investors. This usually leads to investors sharing information about the HYIP with
2 their friends and family and promoting HYIPs on social media. HYIPs rarely disclose the true
3 identities of the individuals operating the HYIP.

4 15. The Packages offered by CloudFi were securities that were neither qualified nor
5 exempt from the qualification requirement under the CSL. The Department has not issued a permit or
6 other form of qualification authorizing CloudFi to sell these securities in California.

7 16. In connection with the offer or sale of these securities, CloudFi and Cerato made, or
8 caused to be made, untrue statements of material fact and material omissions to investors and
9 potential investors, including but not limited to the following:

- 10 a. failing to disclose that it used investor funds to pay purported profits to other
- 11 investors, in the manner of a Ponzi scheme;
- 12 b. misrepresenting the expected profits and risk of loss; and
- 13 c. failing to disclose that the offer or sale of CloudFi's securities was not qualified in
- 14 California.

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

19 Moreover, the Commissioner is of the opinion that Jan Gregory Cerato has violated
20 Corporations Code section 25110 by knowingly, directly or indirectly controlling or inducing or
21 providing substantial assistance to CloudFi to violate Corporations Code section 25110 within the
22 meaning of Corporations Code section 25403, subdivisions (a) and (b).

23 Pursuant to Corporations Code section 25532, CloudFi and Jan Gregory Cerato are hereby
24 ordered to desist and refrain from the further offer or sale of securities in California, including but not
25 limited to investment contracts known as Packages, unless and until the qualification requirements of
26 the CSL have been met.

27 In addition, the Commissioner is of the opinion that CloudFi and Jan Gregory Cerato offered
28 or sold securities in California by means of oral or written communications which included untrue

1 statements of material facts or omitted to state material facts necessary in order to make the
2 statements made, in the light of the circumstances under which they were made, not misleading, in
3 violation of Corporations Code section 25401.

4 Further, the Commissioner is of the opinion that Jan Gregory Cerato has violated
5 Corporations Code section 25401 by knowingly, directly or indirectly controlling or inducing or
6 providing substantial assistance to CloudFi to violate Corporations Code section 25401 within the
7 meaning of Corporations Code section 25403, subdivisions (a) and (b).

8 Pursuant to Corporations Code section 25532, CloudFi and Jan Gregory Cerato are hereby
9 ordered to desist and refrain from offering or selling or buying or offering to buy any security in
10 California, including but not limited to investment contracts known as Packages, by means of any
11 written or oral communication which includes an untrue statement of a material fact or omits to state
12 a material fact necessary in order to make the statements made, in the light of the circumstances
13 under which they were made, not misleading.

14 Any person who with knowledge directly or indirectly controls and induces another person to
15 violate any provision of the CSL, or knowingly provides substantial assistance to another person to
16 violate any provision of the CSL, is deemed to be in violation of that provision to the same extent as
17 the other person. Cal. Corp. Code § 25403(a) and (b).

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

20 Dated: August 9, 2023
21 San Diego, California

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation



22 By _____
23 MARY ANN SMITH
24 Deputy Commissioner
25 Enforcement Division
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