

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the Matter of,

SPREADEXFX.COM, and
SPREADEX EXCHANGE, INC.

Respondent.

SUMMARY ORDER TO
CEASE AND DESIST

DFI Case No. S-248155 (EX)

I.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“the Division”), having legal authority and jurisdiction to administer and enforce the Wisconsin Uniform Securities Law, Wis. Stats. Ch. 551 (“Ch. 551”) and rules and orders promulgated thereunder, and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order as follows:

II.

Division staff have presented evidence sufficient for the Administrator to make the following findings of fact and conclusions of law:

A. Findings of Fact

Respondents

1. SpreadExFx.com. conducts its business on the internet, principally by means of a now defunct website accessible at www.spreadexfx.com. SpreadExFx.com holds itself out as a digital asset trading platform.
2. According to the User Agreement on www.spreadexfx.com, SpreadEx Exchange, Inc. is responsible for the website. Upon information and belief, SpreadEx Exchange, Inc. is not incorporated in any jurisdiction.

Conduct

3. SpreadExFx.com and SpreadEx Exchange, Inc. (collectively, “SpreadExFx” or the “Respondents”) have never been registered with the Division, Securities and Exchange Commission (“SEC”), National Futures Association (“NFA”), or the Financial Regulatory Authority (“FINRA”).

SpreadExFx.com Website

4. SpreadExFx describes itself as a “platform exclusively for users to trade digital assets and provide related services”. The website’s alleged services involve commodities, forex, cryptocurrency trading pairs, and DEFI Pools.
5. In the Registration Agreement available on the SpreadExFx.com website, SpreadExFx represents:
 - “Any options, messages, discussions, analyses, prices, recommendations and other information on this website are general market comments and do not constitute investment advice.”
 - “We shall not be liable for any loss arising directly or indirectly from reliance on this information, including but not limited to any loss or profits.”
 - After becoming a member of the website, you will get a member account and the corresponding password”.
 - “Only members of the Website can use the digital asset trading platform provided by the website to conduct transactions and enjoy other serviced provided by the Website for members only.”
 - “You agree that you are solely responsible for your own trading or non-trading activities and any gains or losses.”
 - “The Website only provides online trading platform services for you to conduct digital asset trading activities (including but not limited to digital asset trading and other services) through the website.”
 - “You have the right to browse the real-time market and trading information of various digital asset products on the website, submit trading orders and complete transactions of digital assets through the website.”

Wisconsin Investor MA

6. At least one Wisconsin investor, MA, invested with SpreadExFx.
7. In April 2023, MA received a text message from an unknown person. “Hi Ellie, I’m Evelyn. How have you been?” MA responded to Evelyn: “No Ellie here. Hope you find her. 😊” Evelyn replied to MA that she checked MA’s number and had the wrong person.
8. MA and Evelyn began texting back and forth. Evelyn informed MA that she is from China but now lives in LA. Evelyn also represented to MA that she is 40 years old, that she is the artistic director of a jewelry company, and an investor. Evelyn informed MA she has rarely been involved in company affairs now because she has a professional team running the company for her. So, Evelyn has time to build her other investments and enjoy life.
9. Evelyn represented to MA that her Chinese name is 王艾琳, which translates in English

to Wang Ailin.

10. Eventually, Evelyn asked MA to continue communicating with her on WhatsApp. Evelyn touted WhatsApp as being more private and secure than SMS.
11. Evelyn recommended MA open an account with SpreadExFx.com. Evelyn represented that she and her uncle had been using the platform successfully to trade cryptocurrency and that MA would profit by following her trading instructions and recommendations. Evelyn claimed she had deposited and withdrawn \$4 million from the SpreadExFx platform and that her uncle's team had close to \$60 million in capital.
12. Evelyn further represented that her uncle owns and operates a data analytics firm in New York that provides modeling of crypto markets. According to Evelyn, her uncle's team obtains their trading data from SpreadExFx.
13. MA reviewed the SpreadExFx website. He saw SpreadExFx claimed to be "the world's leading digital asset management system for cryptocurrencies" and represented that it managed "approximately \$140 billion in digital assets globally."
14. However, MA could not find any corporation registered in the United States with a variation of the name SpreadExFx and the website did not indicate where the company was legally registered. MA further noticed there was a similar named British company, www.spreadex.com, involved in sports betting that appeared to be unrelated to the SpreadExFx platform.
15. When MA asked Evelyn about these red flags, she replied that her uncle's team were "not all stupid enough to put their money in a platform that they don't trust" and that the platform was "perfectly legal. Otherwise, you wouldn't be able to use it at all." She further represented "[T]he money I've made through this exchange over the years, the cars I've bought, the houses I've bought are all real. If you don't believe me, you can always stop and take your money out."
16. MA believed Evelyn's representations about the legitimacy of the SpreadExFx platform and her uncle's investment business, and decided to invest by executing trades on the platform at Evelyn's directions. MA understood that Evelyn's uncle's team would earn a 5% commission from the profits of the trades that Evelyn recommended.

17. MA's transactions are summarized below:

Date	USD Amt	USDT Amt (Inc. Fees)	BTC Amt (Inc. Fees)
4/28/2023	\$ (23,242.71)	-23612.253597	
5/2/2023	\$ (26,801.20)	-27223.24	
5/2/2023	\$ 25,495.84	25898.36	
5/3/2023	\$ (24,018.67)	-24406.647784	
5/12/2023	\$ (21,735.81)		-0.8354036
5/18/2023	\$ (18,475.00)*Approximate Value	-18475 (omitting fees)	
Net Loss	\$ (88,777.55)	-67818.781381	-0.8354036

18. Division staff traced the above outgoing transactions to the Bitkub and OKX foreign exchanges.
19. To make the above investments, MA cashed out securities investments, and obtained an American Express loan and a line of credit.
20. Although Evelyn represented to MA that she was based in LA, Division staff traced the OKX account which held MA's funds to an account holder named 唐靖琳 (Tang Jinglin) residing in Guanyang District in Guangxi Province, China.
21. MA believed he was making a profit based on Evelyn's uncle's trading data. After one month of trading activity, MA believed he had an account balance of \$185,000, of which about \$70,000 was sourced from his investment.
22. When MA tried to withdraw his funds, the website's "Super Administrator" informed MA that he had triggered the anti-money laundering protocols. MA was instructed to deposit an amount equal to 10% of his funds from a verifiable personal crypto wallet to be able to withdraw any funds from the SpreadExFx account. He complied with the instructions, but was still unable to withdraw any funds from his SpreadExFx account.
23. The investment plan outlined by the Respondents requires the investment of money in the investment program managed by Respondents from which the investor expected profits to be derived from the efforts of Respondents.
24. SpreadExFx and Wang for compensation, engaged in the business of advising MA as to the value of securities and the advisability of investing in and purchasing securities in this state.

**Omissions of Material Facts to Potential Investors by SpreadExFx
and Wang in the Offer of Securities**

25. In connection with the offer of securities, SpreadExFx and Wang omitted to disclose the following:

- The identity of SpreadExFx's principals and management
- The firm's location or the location of any of its principals and management
- The firm's financial statements, including its assets, liabilities and profitability
- The risks of investing in cryptocurrency transactions on the SpreadExFx platform
- Additional fees charged for the withdrawal of funds
- Any applicable licensing, such as money transmitter licensing or securities registrations
- That SpreadExFx is not registered with the Division or with any other federal or state regulator as a broker-dealer, investment adviser, exchange, or money transmitter.

B. Conclusions of Law

Legal Authority and Jurisdiction

26. The Administrator has legal authority and jurisdiction over the conduct described above, pursuant to Ch. 551 and the rules and orders promulgated thereunder.
27. Pursuant to Wis. Stat. § 551.102(28), the investment scheme offered by SpreadExFx and Wang constitutes an investment contract, because it is an investment in a common enterprise with the expectation of profits to be derived through the essential managerial efforts of someone other than the investor.
28. The Respondents were transacting business in this state as investment advisers as defined under Wis. Stat. § 551.102(15) because they were advising MA about the advisability of investing in securities and making recommendations to purchase specific securities for compensation.
29. Pursuant to Wis. Stat. § 551.403(1), it is unlawful for a person to transact business in this state as an investment adviser unless the person is registered under Ch. 551 as an investment adviser or is exempt from registration under Wis. Stat. § 551.403(2).
30. Pursuant to Wis. Stat. § 551.501(2), it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

Violations

31. As described above, the Respondents violated Wis. Stat. § 551.501(2) when they failed to disclose the material facts set forth in paragraph 25.
32. As described above, the Respondents violated Wis. Stat. § 551.403(1) when they transacted business in Wisconsin as investment advisers without being registered as investment advisers or exempt from registration.

III.

In view of the above findings of fact and conclusions of law, the Administrator deems it necessary and appropriate in the public interest and for the protection of investors, and pursuant to its legal authority and jurisdiction under Ch. 553, to issue the following orders and notices:

A. Summary Orders issued pursuant to Wis. Stat. § 551.604(2)

- (a) IT IS ORDERED summarily that Respondents, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of the Respondents, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Ch. 551 or successor statute, pursuant to Wis. Stat. §§ 551.604(1)(a) and (2).
- (b) IT IS FURTHER ORDERED summarily that all exemptions from registration set forth at Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security or of by the Respondents, their agents, servants, officers, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of the Respondents, are hereby revoked, pursuant to Wis. Stat. §§ 551.604(1)(b) and (2).
- (c) IT IS FURTHER ORDERED summarily that all exemptions from registration set forth in Wis. Stat. §§ 551.201 and 551.202 that may otherwise apply to a specific security, transaction or offer of or by the Respondents, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of the Respondents, are hereby revoked, pursuant to Wis. Stats. §§ 551.604(1)(c) and (2).
- (d) IT IS FURTHER ORDERED summarily that the Respondents, their successors, affiliates, controlling persons, officers, agents, servants, employees and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of the Respondents, are prohibited from violating Wis. Stat. § 551.501 or successor statute.
- (e) IT IS FURTHER ORDERED summarily that the Respondents, their successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of the Respondents,

are prohibited from violating Ch. 551 or successor statute that might otherwise apply to any offer or sale of a security of or by the Respondents.

- (f) PLEASE TAKE NOTICE that the orders of the Administrator are effective as of the issuance of this order, pursuant to § Wis. Stat. 551.604(2).

B. Service of Order

- (g) IT IS FURTHER ORDERED that this order shall be sent promptly by certified mail to each party named in the order at his or her last known address or to the party's attorney of record, or shall be personally served upon the party or the party's attorney of record, pursuant to Wis. Admin. Code. § DFI-Sec. 8.06. This order shall also be served upon the office of the administrator pursuant to Wis. Stat. § 551.611.
- (h) PLEASE TAKE NOTICE that the date of service of this order is the date it is placed in the mail. You are advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

C. Notice of Hearing Rights

- (i) PLEASE TAKE NOTICE that you have the right to request a hearing, pursuant to Wis. Stat. § 551.604(2). Every request for a hearing shall be in the form of a written petition filed with the Division, pursuant to Wis. Admin. Code § DFI-Sec. 8.01 and Wis. Stat. § 227.42. A petition for a hearing to review the order shall:
- (1) Plainly admit or deny each specific allegation, finding or conclusion in the order and incorporated papers. However, if the petitioner lacks sufficient knowledge or information to permit such an admission or denial, the petition shall so state, and that statement shall have the effect of a denial; and
 - (2) State all affirmative defenses. Affirmative defenses not raised in the request for hearing may be deemed waived.
- (j) PLEASE TAKE FURTHER NOTICE that you may file your written petition:
- (1) By mailing the written petition to:
Division of Securities
Wisconsin Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701-1768
 - (2) By delivering the written petition in person to:
Division of Securities
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower, 4th Floor
Madison, Wisconsin 53705

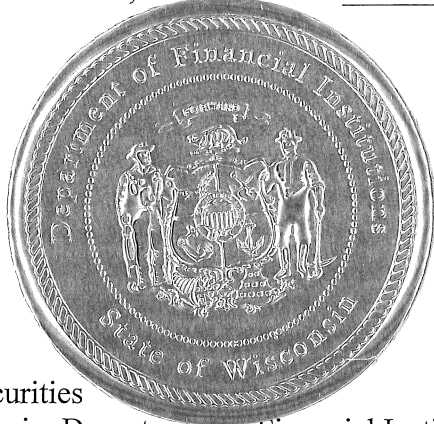
(3) By faxing the written petition to (608) 264-7979

- (k) PLEASE TAKE FURTHER NOTICE that the petition for hearing must be filed with the Division. Pursuant to Wis. Stat. § 551.102(8), "filing" means "receipt." Therefore, a petition is not "filed" with the Division until it is actually "received" by the Division. If the Division does not receive your written petition before midnight on the 30th day after the date of service of this order, your right to a hearing will be waived and the Summary Order shall become final by operation of law.
- (l) PLEASE TAKE FURTHER NOTICE that if you do not request a hearing and none is ordered by the Administrator within 30 days after the date of service of this order, the findings of fact, conclusions of law, and summary orders and proposed final orders, including the imposition of a civil penalty and requirement for payment of restitution and interest sought in a statement in the order, become final by operation of law, pursuant to Wis. Stat. § 551.604(2).
- (m) PLEASE TAKE FURTHER NOTICE that, within 15 days after the Division's receipt of a written request for a hearing from you, the matter will be scheduled for a hearing or other public administrative proceedings, pursuant to Wis. Stats. §§ 551.604(2) and (3).

D. Notifications

- (n) PLEASE TAKE FURTHER NOTICE violations of this Order, once final, may be enforced by any investor, or by the Division pursuant to Wis. Stat. § 551.604(7) whether acting in its own right or on behalf of the investor, by petitioning any court of competent jurisdiction to enforce the terms of the order.
- (o) PLEASE TAKE FURTHER NOTICE failure to provide a copy of this Order to prospective investors may be a material misrepresentation in violation of Ch. 551 and this order.
- (p) PLEASE TAKE FURTHER NOTICE that this Order is effective on the date it is issued. SpreadExFx is advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

EXECUTED at Madison, Wisconsin this 5th day of October, 2023.



Leslie M. Van Buskirk

Leslie M. Van Buskirk
Administrator

Division of Securities
State of Wisconsin, Department of Financial Institutions
4822 Madison Yards Way, 4th Floor
Madison, Wisconsin 53705