

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING
5 Whether there has been a violation of the
6 Securities Act of Washington by:

7 Nittrex Capital Ltd.;
8 d/b/a Nittrex Digital Asset Fund;
9 d/b/a Nittrex Fund;
10 d/b/a Nittrex;

11 Respondent.

Order No. S-21-3167-21-SC01

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND
DESIST, TO IMPOSE A FINE, AND TO CHARGE
COSTS

12 THE STATE OF WASHINGTON TO:

13 Nittrex Capital Ltd.
14 d/b/a Nittrex Digital Asset Fund
15 d/b/a Nittrex Fund
16 d/b/a Nittrex

17 **STATEMENT OF CHARGES**

18 Please take notice that the Securities Administrator of the state of Washington has reason to believe
19 that Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset Fund, d/b/a Nittrex Fund, d/b/a Nittrex
20 violated the Securities Act of Washington. The Securities Administrator believes these violations justify
21 the entry of an order against Respondent Nittrex Capital Ltd. d/b/a Nittrex Digital Asset Fund, d/b/a Nittrex
22 Fund, d/b/a Nittrex to cease and desist from such violations, to impose a fine, and to charge costs pursuant
23 to RCW 21.20.390 and RCW 21.20.395. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondent

1. Nittrex Capital Ltd., d/b/a Nittrex Digital Asset Fund, d/b/a Nittrex Fund, d/b/a Nittrex
("Nittrex") claimed to be "one of the most trusted cryptocurrency platforms in the market." Nittrex used
multiple websites, including nittrex.co, nittrex.io, and nittrex.vip. Nittrex used business addresses in New
York, Belgium, Canada, and the United Kingdom.

1 **Nature of the Conduct**

2 2. In 2020, a Washington senior citizen who was approaching retirement lost more than
3 \$500,000 through cryptocurrency investments that were sold by Nittrex. Around June 2020, the
4 Washington investor began searching online for a cryptocurrency broker, after finding that traditional
5 brokerage firms do not sell cryptocurrency investments. After seeing information about Nittrex on
6 Facebook, the Washington investor visited the company’s website.

7 3. Nittrex’s website indicated that it had been in business for seven years and had branches in
8 five different countries. Nittrex claimed to be “one of the biggest trading firms on the globe” and “one of
9 the world’s top leaders” in cryptocurrency trading. Nittrex instructed investors to sign up for an account
10 online and then deposit funds using a credit card, wire transfer, or Bitcoin transfer.

11 4. A Nittrex representative (who used the title “Senior Investment Officer”) later contacted the
12 Washington investor and fraudulently impersonated a licensed securities professional. The Nittrex
13 representative sent multiple emails containing a signature block with a link to his purported profile and
14 employment history on BrokerCheck, a website overseen by the Financial Industry Regulatory Authority
15 (FINRA). In truth, the link was for a registered securities salesperson in New York who has no affiliation
16 with Nittrex.

17 5. Nittrex represented in emails and telephone solicitations that it would purchase
18 cryptocurrency for the Washington investor and generate large returns within a short period of time. The
19 Washington investor did not make any trades himself and relied on Nittrex to generate a profit on his
20 investment funds. On July 10, 2020, a Nittrex representative emailed a brochure to the Washington investor
21 that was described as a “portfolio proposal.” The brochure indicated that a \$300,000 investment would be
22 worth approximately \$1.4 million in twelve months.

1 6. In calls and emails, Nittrex represented that it would purchase Bitcoin and other
2 cryptocurrencies at below-market prices and generate an immediate profit for the investor. For example,
3 on July 27, 2020, the Nittrex representative sent an email to the investor stating that he had “secured” a
4 Bitcoin “package” and that “We will make 15.55% right [off] the bat.” The next day, the Nittrex sales
5 representative stated that he had saved another Bitcoin “package” for the investor and that the total profits
6 would be \$140,000.

7 7. Nittrex used artificial deadlines to convey a false sense of urgency and time pressure regarding
8 the investment opportunities. For example, on July 30, a Nittrex sales representative called the Washington
9 investor and later sent an email stating that it was “crucial” that the investor’s funds be received that
10 afternoon, adding “We both have a lot riding on this.”

11 8. Nittrex led the investor to believe that he would be able to make withdrawals from his account.
12 A Nittrex representative sent an email to the Washington investor stating that he had sold off some of his
13 Bitcoin holdings and that he would “keep the funds liquid in the account.” The Washington investor was
14 able to make a small withdrawal from his account, which made him more comfortable investing additional
15 funds. As described below, however, the Washington investor has been unable to withdraw the vast
16 majority of his investment funds.

17 9. Over a period of weeks, Nittrex led the Washington investor to believe that it had made several
18 profitable investments for him and that he had earned large returns. For example, on July 24, 2020, a Nittrex
19 representative sent an email to the Washington investor stating that he sold the investor’s Bitcoin holdings
20 and had earned a 36% profit. Nittrex used an online account system, which indicated that the Washington
21 investor owned a dozen cryptocurrencies that had increased in value to approximately \$3 million. Nittrex
22 persuaded the Washington investor to liquidate securities that were held in his IRA retirement accounts and
23 to invest more than \$500,000 with Nittrex.

1 10. By January 2021, however, the nittrex.co website was no longer operational. Nittrex began
2 using a new website, nittrex.io. A Nittrex sales representative stated that the old website had been “hacked”
3 and that the new website was more secure. When the Washington investor grew concerned and attempted
4 to make a withdrawal from his account, he was assigned to a different account manager. The Washington
5 investor spent several weeks making phone calls and sending emails to Nittrex, in an attempt to find out
6 why he could not make a withdrawal from his account. By May 2021, the nittrex.io website was no longer
7 operational and Nittrex began using a new website, nittrex.vip.

8 11. Nittrex represented to the Washington investor that in order to have access to his investment
9 funds, he needed to pay a 5% management fee to Nittrex and to pre-pay capital gains taxes. Nittrex provided
10 the Washington investor with a “Memorandum of Understanding” that indicated that his investments funds
11 had been transferred to an “Escrow Wallet” and that the wallet contained 69.99 Bitcoin (worth
12 approximately \$3 million). These documents indicated that the Washington investor had to pay a
13 “Management Fee” of approximately \$106,000 and more than \$635,000 as a “Taxation Fee.” Nittrex
14 claimed that after receiving confirming of the payment, it would provide the investor with a private key to
15 access the Bitcoin that was held in the wallet. By July 2021, the nittrex.vip website stopped working and
16 the Washington investor has been unable to reach Nittrex by telephone or email.

17 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

18 **CONCLUSIONS OF LAW**

19 1. The offer and/or sale of the investments described above constitutes the offer and/or sale of a
20 security as defined in RCW 21.20.005(14) and (17).

21 2. Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset Fund, d/b/a Nittrex Fund, d/b/a
22 Nittrex violated RCW 21.20.010, the anti-fraud section of the Securities Act of Washington, by making
23

1 untrue statements of material fact or omitting to state material facts necessary to make the statements made,
2 in light of the circumstances in which they were made, not misleading.

3 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

4 Pursuant to RCW 21.20.390(1), and based upon the Tentative Findings of Fact and Conclusions of
5 Law, the Securities Administrator intends to order Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital
6 Asset Fund d/b/a Nittrex Fund, d/b/a Nittrex, and its agents and employees, to each permanently cease and
7 desist from violating RCW 21.20.010.

8 **NOTICE OF INTENT TO IMPOSE A FINE**

9 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law,
10 the Securities Administrator intends to order that Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset
11 Fund, d/b/a Nittrex Fund, d/b/a Nittrex, shall be liable for and shall pay a fine of \$10,000.

12 **NOTICE OF INTENT TO CHARGE COSTS**

13 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law,
14 the Securities Administrator intends to order that Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital
15 Asset Fund, d/b/a Nittrex Fund, d/b/a Nittrex, shall be liable for and for and shall pay the costs, fees, and
16 other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less
17 than \$2,000.

18 **AUTHORITY AND PROCEDURE**

19 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject
20 to the provisions of Chapter 34.05 RCW. Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset Fund,
21 d/b/a Nittrex Fund, d/b/a Nittrex, may make a written request for a hearing as set forth in the Notice of
22 Opportunity for Hearing accompanying this Order. If a respondent does not make a hearing request in the
23 time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and

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Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to charge any costs sought against that respondent.

SIGNED and ENTERED this 14th day of October, 2021.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Robert Kondrat
Financial Legal Examiner