# STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS **SECURITIES DIVISION**

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

GBT Trading Inc.; 5

Jiayang Zhang,

Respondents.

THE STATE OF WASHINGTON TO:

Order No. S-22-3363-23-FO01

ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF LAW AND FINAL ORDER TO CEASE AND DESIST, TO IMPOSE A FINE, AND TO **CHARGE COSTS** 

> GBT Trading Inc. Jiayang Zhang

On February 24, 2023, the Securities Administrator of the state of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, To Impose a Fine, and to Charge Costs, Order No. S-22-3363-23-SC01 ("Statement of Charges"). The Statement of Charges, together with a Notice of Opportunity for Hearing ("Notice") and an Application for Adjudicative Hearing ("Application"), were served on Respondents GBT Trading Inc. and Jiyang Zhang on March 3, 2023. The Notice advised Respondents GBT Trading Inc. and Jiyang Zhang that the Application must be received within twenty days from the date of service. Respondents GBT Trading Inc. and Jiyang Zhang failed to request an administrative hearing within twenty days of service.

The Securities Administrator therefore adopts as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enters a final order against Respondents GBT Trading Inc. and Jiyang Zhang to cease and desist from violations of the Securities Act, and to impose the fines and costs sought in the Statement of Charges.

#### FINDINGS OF FACT

### Respondents

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1. GBT Trading Inc. ("GBT Trading") is a New York corporation formed on August 20, 2021.
GBT Trading holds itself out as a trading service for cryptocurrency, fiat currency, and commodities.

2. Jiayang Zhang ("Zhang") is a Chinese national and the sole owner of GBT Trading.

#### Overview

3. From approximately October 2021 to December 2021, GBT Trading defrauded J.O., a Washington resident, out of approximately \$48,000 by making misleading claims about its trading service. Specifically, GBT Trading defrauded J.O. by having its representatives inform him that he could earn a profit by making cryptocurrency, fiat currency, and commodities trades with trading information provided by the company. J.O. was later informed that he could not withdraw the funds he invested with GBT until he paid taxes on his trading account and an emergency fee. GBT never made any payments to J.O.

## The Company

- 4. In or around August 2021, a New Jersey-based incorporation service received a request from a business service agency in Hong King, China, to incorporate GBT Trading. The incorporation service had a prior relationship with the business service agency.
- 5. On behalf of GBT Trading, the incorporation service drew up and finalized the company's bylaws; filed registration paperwork with the New York Department of State ("Department of State"); and applied for an Employer Identification Number (EIN) with the Internal Revenue Service ("IRS"). In or around August 2021, the Department of State issued GBT Trading a certificate of incorporation and the IRS issued GBT Trading an EIN. Zhang is listed as the company's only shareholder.
- 6. In or around September 2021, the incorporation service opened a U.S. bank account for GBT Trading. On the signature card for the bank account, the managing partner of the incorporation service listed himself as the company's president. He was the only person with signatory authority on the account.

7. Between November 2021 and January 2022, at least 18 different individuals sent approximately \$476,000 to the GBT Trading bank account. These individuals were mostly residents of Canada and the U.S, and they sent GBT Trading between \$150 and \$85,000 at a time. J.O., a Washington resident, was one of the 18 individuals who transferred money to GBT Trading's account.

8. Nearly every dollar sent to the GBT Trading account was in turn wired to an account at the Hong Kong and Shanghai Bank ("HSBC") in the name of Changxu Chen. The wires to the HSBC bank account occurred between November 2021 and January 2022 and were primarily initiated from devices with IP addresses in Quanzhou, China. Between November 2, 2021 and December 1, 2021, there were 13 transfers, 11 of which were for \$5,000 or less. Between December 6, 2021 and January 11, 2022, there were 8 transfers of much higher amounts, including 3 transfers of \$98,000; \$95,000; and \$95,000. The subject line on each of the 21 transfers was "Family Support." The GBT Trading bank account was closed out with a zero balance on or around January 19, 2022.

### **Nature of the Conduct**

9. In or around October 2021, a person claiming to be Eri Etsuko ("Etsuko") contacted J.O. via WhatsApp Messenger. Etsuko claimed to be from Japan and said she was currently living in New York. Etsuko and J.O., who had no previous relationship prior to October 2021, began to regularly send one another messages on WhatsApp; they also spoke to one another using WhatsApp's video calling function. Shortly after they began communicating, Etsuko told J.O. that he should invest in cryptocurrency. At the time, J.O. knew very little about cryptocurrency or investing. Etsuko referred him to another WhatsApp user who was purportedly named Donn Campbell ("Campbell").

10. In or around November 2021, J.O. contacted Campbell via WhatsApp. Campbell instructed J.O. on how to download an app called MetaTrader 5<sup>1</sup> so he could open a trading account. Etsuko and Campbell also instructed J.O. to wire money to a U.S. bank account in the name of GBT Trading.

11. J.O. opened a MetaTrader 5 account in November 2021. In November and December 2021, he made 4 wire transfers to the GBT Trading bank account totaling \$28,000. Campbell informed J.O. that the money sent to GBT Trading had been deposited in his MetaTrader 5 trading account and could be deployed to make trades.

12. Campbell put J.O. in touch with an individual who claimed to be named David Stephen ("Stephen"). J.O. and Stephen contacted one another through WhatsApp. Stephen told J.O. he was "the chief foreign exchange analyst of GBT" and informed J.O. on how the investment would work. In exchange for sending money to GBT Trading, J.O. would be provided with "transaction information" that he could enter into the MetaTrader 5 app in order to make trades. Each trade could earn a profit, and profits could be verified by checking the MetaTrader 5 app. Stephen advised J.O. that the more money he invested with GBT, the more transaction information he would receive.

13. Stephen made various claims about how profitable the trades would be. He told J.O. that by using the transaction information provided by GBT, it was possible to "get profits without risk." He informed J.O. that "As long as you purchase the order with the data I provided, more than 95% would be profitable." On one occasion, Stephen told J.O. that if he "upgraded" his account to \$50,000, he could make \$28,000 by the end of the week. On another, he informed J.O. that he could make \$800,000 to \$1,000,000.

<sup>&</sup>lt;sup>1</sup> MetaTrader 5 is a popular smartphone app used to conduct foreign market exchange transactions. MetaTrader 5 allows licensees to use a plug in, known as Virtual Dealer, which can be used to simulate account balances, profits, or losses. The MetaTrader 5 app was removed from the Apple App Store in September 2022 after it was used in a cryptocurrency scam to defraud a California investor out of more than \$1 million.

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J.O. was completely reliant on GBT Trading to earn profits. In November and December 2021, Stephen provided J.O. with transaction information via WhatsApp that J.O. used to perform what he thought were cryptocurrency trades involving Bitcoin and Ethereum; fiat currency trades involving the British pound sterling, the Australian dollar, the Singapore dollar, and the Swiss franc; and commodities trades involving oil and gold. On or around December 9, 2021, the MetaTrader 5 app showed that J.O. had approximately \$80,000 in his trading account. At another point, his account balance was purported to be \$160,000.

15. On or around December 13, 2021, Stephen informed J.O. that if he wanted to withdraw money from his trading account, he would first need to pay taxes to the "International Finance Association." On or around December 20, 2021, J.O. transferred approximately \$20,000 to GBT Trading's bank account. On or around December 28, 2021, Campbell informed J.O. that his tax payment was insufficient, saying that his account had been frozen for failure to pay taxes. In or around January 2022, Stephen also informed J.O. that each GBT client would have to pay an "emergency bill" to access their accounts. Stephen told J.O. that his emergency bill was \$1,500. J.O. could not afford any additional taxes or fees, and did not send GBT Trading any additional money.

J.O. received no payments from GBT Trading and lost his entire investment. 16.

## **Misrepresentations or Omissions of Material Fact**

17. GBT Trading misrepresented how investor funds would be used. The company represented that funds would be transferred to a MetaTrader 5 trading account, but they were instead transferred to an HSBC bank account.

- GBT Trading failed to disclose material information regarding the company, including, but 18. not limited to, financial statements, operational history, and financial condition.
  - 19. GBT Trading failed to provide any information about its owner.

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- 20. GBT Trading failed to provide any information about the risks of investing with the company.
- 21. GBT Trading's claims about the expected return on investment were misleading because the company failed to provide a reasonable basis for its projections.
- 22. GBT Trading's claim about its success rate for trades was misleading because the company failed to provide a reasonable basis for this figure.

## **Registration Status**

23. GBT Trading is not currently registered to sell its securities in the state of Washington and has not previously been so registered, nor has it filed a claim of exemption from registration.

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

### **CONCLUSIONS OF LAW**

- 1. The offer and/or sale of the trading services described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).
- 2. GBT Trading Inc. violated RCW 21.20.140, the securities registration section of the Securities Act of Washington, by offering and/or selling securities for which no registration is on file with the Securities Administrator.
- 3. Jiayang Zhang violated RCW 21.20.140, the securities registration section of the Securities Act of Washington, by offering and/or selling securities for which no registration is on file with the Securities Administrator.
- 4. GBT Trading Inc. violated RCW 21.20.010, the anti-fraud section of the Securities Act of Washington, by employing a device, scheme, or artifice to defraud; making untrue statements of material fact or omitting to state material facts necessary to make the statements made, in light of the circumstances

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in which they were made, not misleading; or engaging in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

5. Jiayang Zhang violated RCW 21.20.010, the anti-fraud section of the Securities Act of Washington, by engaging in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

#### FINAL ORDER

IT IS HEREBY ORDERED that Respondents GBT Trading Inc. and Jiyang Zhang, and their agents and employees, shall each cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

IT IS FURTHER ORDERED that Respondents GBT Trading Inc. and Jiyang Zhang, and their agents and employees, shall each cease and desist from violations of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER ORDERED that Respondent GBT Trading Inc. shall be liable for and pay a fine in the amount of \$20,000.

IT IS FURTHER ORDERED that Respondent Jiyang Zhang shall be liable for and pay a fine in the amount of \$20,000.

IT IS FURTHER ORDERED that Respondents GBT Trading Inc. and Jiyang Zhang shall be jointly and severally liable for and shall pay costs in the amount of \$4,750.

#### AUTHORITY AND PROCEDURE

This FINAL ORDER is entered pursuant to RCW 21.20.110 and is subject to Chapter 34.05 RCW. Respondents have the right to petition the superior court for judicial review of this agency action under Part

V of Chapter 34.05 RCW. Pursuant to RCW 21.20.395(4), a certified copy of this Final Order may be filed in superior court. If so filed, the clerk shall treat the Final Order in the same manner as a superior court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

## WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

/s/

SIGNED and ENTERED this 5th day of April, 2023.



	Securities Administrator
Approved by:	Presented by:
/s/	/s/
Brian Guerard	Brett Werenski
Chief of Enforcement	Financial Legal Examiner
Reviewed by:	
/s/	
Holly Mack-Kretzler	

FINAL ORDER

Financial Legal Examiner Supervisor