STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS SECURITIES DIVISION

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

Order No. S-23-3671-23-SC01

Coscoin LLC,

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

Respondent.

COSTS

THE STATE OF WASHINGTON TO:

Coscoin LLC

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent Coscoin LLC violated the Securities Act of Washington. The Securities Administrator believes these violations justify the entry of an order against Respondent Coscoin LLC to cease and desist from such violations, to impose a fine, and to charge costs pursuant to RCW 21.20.390 and RCW 21.20.395. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondent

1. Coscoin LLC ("Coscoin") dba "Coscoin" "Cos" and "Cosetek," is a Washington entity formed on March 30, 2023 with its principal place of business purportedly in Fife, Washington. Coscoin claims to be a global cryptocurrency trading platform that utilizes artificial intelligence ("AI") quantification, which allows investors to buy and sell cryptocurrency on the Coscoin platform at a guaranteed profit.

Nature of the Conduct

Overview

2. From on or around October of 2023 through November of 2023, Coscoin defrauded at least twenty-three internationally located investors who purchased securities in the form of cryptocurrency

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investment contracts via the Coscoin platform by making false or misleading claims about its trading platform and offerings. Specifically, Coscoin offered and sold cryptocurrency investment contracts with the promise of returns ranging from .05%-.07% compounded up to four times daily. Coscoin also offered and sold separate time-limited "bonus" cryptocurrency investment contracts that promised immediate returns of 100%. At least twenty-three investors purchased investment contracts in amounts ranging from several hundred to several thousands of United States dollars. None of the known investors have been able to withdraw any of their initial investment nor purported profit since late November of 2023.

Background

3. Coscoin offered investment contracts in AI driven crypto trades to the general public through its websites (https://www.coscoins.com, https://cosetek.com, and https://coshman.com). All websites appeared similar or identical to each other in layout and substance with the only readily apparent deviations being the company names of "Coscoin," "Cos," and "Cosetek." Coscoin's websites claim it utilized AI driven "quantitative intelligence system" technology that quickly identified the best buy and sell rates of digital currency products across multiple exchange platforms. By identifying various crypto products in multiple exchanges, Coscoin's websites and promotional materials claimed its expeditious AI technology was able to ensure investment gains by purchasing a crypto product on one exchange at a lower price, and immediately selling that same crypto product on another exchange at a higher price.

The Offering

4. Through the Coscoin platform and Coscoin promotional "step by step safe user" video, investors were instructed to transfer crypto to Coscoin via Kraken, a third-party cryptocurrency exchange. Investors transferred crypto to Coscoin via a personal Coscoin wallet address that was created for each investor by hitting a "\$ recharge" button on the platform.

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- 5. Once investors transferred crypto to Coscoin, they were able to passively invest on the platform by hitting a "quantification" button. After investors clicked the button, the investor relied on Coscoin to trade for a profit. The investor did not have any additional role in earning a profit on their investment.
- 6. The platform allowed investors to hit the quantification button up to four times within twentyfour hours. Each time an investor clicked "quantify," the platform made it appear they earned a profit within the promised "profit ratio."
- 7. Prior to clicking "quantify," investors were shown the rate of return on the investment contract as a percentage "profit ratio" which ranged from at least .5% to .7% per "quantification." The most commonly advertised rate of return was .057-.70%, which was the rate offered to the lowest level investors who were identified as "VIP1." As investors were allowed to quantify four times a day, the platform made it appear investment proceeds rapidly grew.
- 8. Coscoin's platform advertised various "VIP" levels based on one's investment amount and the number of investors one recruited to invest in the platform. Once logged in to the platform, an investor's "current level" was displayed. Investor categories were broken down to various "VIP" levels ranging from VIP1 through VIP 6. The posted VIP investment levels were inconsistent and overlapped such that investment amounts appeared in more than one VIP level. VIP1 was designated for amounts ranging from "30 USDT1-5,000 USDT, VIP2 500-20,000 USDT, VIP3 3,000-50,000 USDT, VIP4 10,000-200,000 USDT, VIP5 30,000-500,000 USDT and VIP 6 50,000 USDT-999,999 USDT."
- The Coscoin platform offered a bonus for signing up new investors. The platform stated that 9. "when you invite subordinates to recharge 100 USDT and above for the first time, you will get 20 USDT bonus." To sign new investors up, users merely had to click on an "invite friends" button on the platform.

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¹ Tether (USDT) is a stablecoin, or a type of cryptocurrency, pegged to the United States Dollar.

10. The investment amount and number of new investors signed up increased investors' VIP levels. While the VIP investment levels were posted clearly on the top portion of the platform, the promised rates of return and benefits associated with each VIP level were not consistently advertised nor readily apparent to most investors. When posted, the advertised rates of return for the VIP levels promised investment returns that often decreased with larger investments and number of recruited investors, thus defying logic as investors were penalized for increased investments and recruitment. At least one platform user indicated the platform promised "VIP1 – invest 30-500 USDT 0.57% to 0.7%; VIP2 – invest 500 to 3000 USDT, recruit five affiliate investors and receive 0.56% to 0.66% a day; VIP3 – invest 3000 USDT to 10,000 USDT, recruit ten affiliate investors and receive 0.53% to 0.63% a day; VIP4 – invest 10,000 USDT to 50,000 USDT, recruit twenty affiliate investors and receive 0.54% to 0.61% a day; VIP5 – invest 30,000 to 999,999 USDT, recruit thirty affiliate investors and receive 0.53% to 0.6% a day; VIP6 – invest 50,000 to 999,999 USDT, recruit forty affiliate investors and receive 0.53% to 0.58% a day."

Bonus Promotions

11. Coscoin ran time-limited investment promotions that created a sense of urgency with a promised immediate 100% rate of return. Coscoin then extended those promotions upon termination of the time-period. For instance, the Coscoin platform ran a Thanksgiving Special which stated "In order to Welcome Thanksgiving Day, we launch a Thanksgiving Feedback Campaign! Both new users and old users can participate in this event and receive generous rewards!" The platform advertised its 100% return using numerical examples including that "a single deposit of 123 USDT -123.99 USDT will receive a bonus of 123 USDT.....A single deposit of 46,023 USDT -46,023.99 USDT will receive a bonus of 46,023 USDT." The Thanksgiving special was advertised as running from "Nov 20 00:00- -Nov21² 23:59 [Washington time]." The platform posted that "The rewards for this Thanksgiving event are very generous and the time is limited."

² Thanksgiving occurred on November 23, 2023.

12. After the termination of the Thanksgiving promotion, the Coscoin platform posted "COSCOIN major upgrade notice: due to the large amount of funds involved in this Thanksgiving feedback event, COSCOIN needs to pay taxes and wait for the tax department to verify the payment. COSCOIN has optimized and updated the withdrawal system! The tax department will implement the new [72-hour T+2] mode to review the user's withdrawal application! At the same time, in order to celebrate this system optimization and upgrade, the Thanksgiving feedback activity will be extended for an additional 24 hours!"

13. Coscoin also advertised an "emergency notice!! COSCOIN has been attacked by hackers from unknown sources, and the withdrawal amounts of all users have been maliciously tampered with. The COSCOIN technical department has solved this problem, in order to ensure the safety of all users' funds, all withdrawal applications have been cancelled. To express our apology, the Thanksgiving Giveback event will be extended for 24 hours!" The platform then posted the same 100% bonus structure with the same numerical examples, but also indicated that "all users who have completed 2 or more levels of bonus events will receive a [Thanksgiving Surprise Reward] worth 500 USDT. All users who have completed 3 or more level of rewards activities will receive a [Thanksgiving double surprise reward] worth 1,000 USDT."

14. While some earlier investors were able to withdraw a small portion of their initial investment, no known investors have been able to withdraw any of their investment nor alleged profit since late November of 2023.

Misrepresentations and Omissions

15. Coscoin misrepresented material information related to the company's age and location in an apparent attempt to give the company legitimacy. The Coscoin platform indicated "COSCOIN is a dynamic technology company based in Washington, DC, USA, we founded COSCOIN in 2015." Coscoin's webpages represented the company is located in Washington State rather than the United States Capital, and was formed on March 30, 2023 rather than in 2015. Coscoin filed its Articles of Incorporation with Washington State's

Secretary of State on March 30, 2023. The Washington State physical address Coscoin identified on its webpages and the Washington State's Corporations Database is an address in Fife, Washington associated with a legal support services company. There is no known Coscoin business located in Washington State.

- 16. Coscoin failed to disclose material information when it did not warn users of any associated risks with investment nor the possibility that investors may not earn a profit within the advertised ranges of rates of return.
- 17. Coscoin failed to disclose material information related to the function of the Coscoin quantification system including but not limited to what cryptocurrencies it trades in, the assumptions and parameters used to program the quantification system, whether these assumptions and parameters could change, the mistakes or malfunctions that could impact the function of the quantification system, how it could earn up to 100% immediate investment returns, and whether an investor had a remedy if the quantification system does not function as expected.
- 18. Coscoin failed to disclose to investors that the offered investment contracts are securities, and that anyone who offers or sells securities must be registered or exempt from registration.

Registration Status

19. Coscoin LLC 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 investment contracts described above constitutes the offer and sale of a security as defined in RCW 21.20.005(14) and (17).

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2. Coscoin LLC 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. Coscoin LLC violated RCW 21.20.010, the anti-fraud section of the Securities Act of Washington, by employing a device, scheme, or artifice to defraud, by making untrue statements of material fact or omitting to state material facts necessary to make the statements made, in light of the circumstances in which they were made, not misleading, and by engaging in an act, practice, or course of business which operated as a fraud or deceit upon any person.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Pursuant to RCW 21.20.390(1), and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order Coscoin LLC, and their agents and employees, to each permanently cease and desist from violating RCW 21.20.010 and RCW 21.20.140.

NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Coscoin, LLC shall be liable for and shall pay a fine of \$75,000.

NOTICE OF INTENT TO CHARGE COSTS

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Coscoin LLC shall be liable for and shall pay the costs, fees, and other expenses incurred in the administrative investigation and hearing of this matter, in an amount not less than \$4,250.00

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. Coscoin LLC may make a written request for a hearing as set forth in the Notice of Opportunity for Hearing accompanying this Order. If a respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and 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 9th day of January, 2024.



William M. Beatty
Securities Administrator
Presented by:
/s/
Denise Griffith
Financial Legal Examiner

Brian Guerard
Chief of Enforcement
Reviewed by:

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Approved by:

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/s/

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