

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

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

5 Nittrex Capital Ltd.
d/b/a Nittrex Digital Asset Fund;
6 d/b/a Nittrex Fund;
d/b/a Nittrex;

7 Respondent.

Order No. S-21-3167-21-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

8 THE STATE OF WASHINGTON TO:

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

11 **INTRODUCTION**

12 On October 14, 2021, the Securities Administrator of the state of Washington issued State of
13 Charges and Notice of Intent to Enter an Order to Cease and Desist (“Statement of Charges”), Order Number
14 S-21-3167-21-SC01, against Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset Fund, d/b/a
15 Nittrex Fund, d/b/a Nittrex. The Statement of Charges, together with a Notice of Opportunity to Defend
16 and Opportunity for Hearing (“Notice”) and an Application for Adjudicative Hearing (“Application”) were
17 served on Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset Fund, d/b/a Nittrex Fund, d/b/a
18 Nittrex on October 19, 2021. The Notice advised Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital
19 Asset Fund, d/b/a Nittrex Fund, d/b/a Nittrex that the Application must be received within twenty days from
20 the date of service. Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset Fund, d/b/a Nittrex Fund,
21 d/b/a Nittrex failed to request an administrative hearing within twenty days of service.

22 The Securities Administrator therefore adopts as final the following Findings of Fact and
23 Conclusions of Law as set forth in the Statement of Charges and enters a final order against Respondent

1 Nittrex Capital Ltd., d/b/a/ Nittrex Digital Asset Fund, d/b/a Nittrex Fund, d/b/a Nittrex to cease and desist
2 from violations of the Securities Act of Washington, and to impose the fine and costs sought in the
3 Statement of Charges.

4 **FINDINGS OF FACT**

5 **Respondent**

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

10 **Nature of the Conduct**

11 2. In 2020, a Washington senior citizen who was approaching retirement lost more than
12 \$500,000 through cryptocurrency investments that were sold by Nittrex. Around June 2020, the
13 Washington investor began searching online for a cryptocurrency broker, after finding that traditional
14 brokerage firms do not sell cryptocurrency investments. After seeing information about Nittrex on
15 Facebook, the Washington investor visited the company’s website.

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

20 4. A Nittrex representative (who used the title “Senior Investment Officer”) later contacted the
21 Washington investor and fraudulently impersonated a licensed securities professional. The Nittrex
22 representative sent multiple emails containing a signature block with a link to his purported profile and
23 employment history on BrokerCheck, a website overseen by the Financial Industry Regulatory Authority

1 (FINRA). In truth, the link was for a registered securities salesperson in New York who has no affiliation
2 with Nittrex.

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

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

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

19 8. Nittrex led the investor to believe that he would be able to make withdrawals from his account.
20 A Nittrex representative sent an email to the Washington investor stating that he had sold off some of his
21 Bitcoin holdings and that he would “keep the funds liquid in the account.” The Washington investor was
22 able to make a small withdrawal from his account, which made him more comfortable investing additional
23

1 funds. As described below, however, the Washington investor has been unable to withdraw the vast
2 majority of his investment funds.

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

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

17 11. Nittrex represented to the Washington investor that in order to have access to his investment
18 funds, he needed to pay a 5% management fee to Nittrex and to pre-pay capital gains taxes. Nittrex provided
19 the Washington investor with a "Memorandum of Understanding" that indicated that his investments funds
20 had been transferred to an "Escrow Wallet" and that the wallet contained 69.99 Bitcoin (worth
21 approximately \$3 million). These documents indicated that the Washington investor had to pay a
22 "Management Fee" of approximately \$106,000 and more than \$635,000 as a "Taxation Fee." Nittrex
23 claimed that after receiving confirming of the payment, it would provide the investor with a private key to

1 access the Bitcoin that was held in the wallet. By July 2021, the nittrex.vip website stopped working and
2 the Washington investor has been unable to reach Nittrex by telephone or email.

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

4 **CONCLUSIONS OF LAW**

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

7 2. Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset Fund, d/b/a Nittrex Fund, d/b/a
8 Nittrex violated RCW 21.20.010, the anti-fraud section of the Securities Act of Washington, by making
9 untrue statements of material fact or omitting to state material facts necessary to make the statements made,
10 in light of the circumstances in which they were made, not misleading.

11 **FINAL ORDER**

12 Based upon the foregoing, and finding it in the public interest:

13 IT IS HEREBY ORDERED that Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset Fund,
14 d/b/a Nittrex Fund, d/b/a Nittrex, its agents and employees each shall cease and desist from violations of
15 RCW 21.20.010.

16 IT IS FURTHER ORDERED that Respondent Nittrex Capital Ltd., d/b/a Nittrex Digital Asset
17 Fund, d/b/a Nittrex Fund, d/b/a Nittrex shall be liable for and shall pay a fine of \$10,000.

18 IT IS FURTHER ORDERED that Respondent Nittrex Digital Asset Fund, d/b/a Nittrex Fund, d/b/a
19 Nittrex shall be liable for and shall pay costs of \$2,000.

20 **AUTHORITY AND PROCEDURE**

21 This FINAL ORDER is entered pursuant to RCW 21.20.390 and is subject to Chapter 34.05 RCW.
22 Respondents have the right to petition the superior court for judicial review of this agency action under Part
23 V of Chapter 34.05 RCW. Pursuant to RCW 21.20.395(4), a certified copy of this Final Order may be filed

1 in superior court. If so filed, the clerk shall treat the Final Order in the same manner as a superior court
2 judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

3 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

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5 SIGNED and ENTERED this 9th day of December, 2021.

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William M. Beatty
Securities Administrator

10 Approved by:

10 Presented by:

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Brian J. Guerard
Acting Chief of Enforcement

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Robert Kondrat
Financial Legal Examiner