

Citation: 2024 BCSECCOM 46

Notice of Hearing

**Michael Ongun Gokturk, Einstein Capital Partners Ltd.,
Einstein Exchange Inc., and Einstein Law Corporation**

(Collectively, the Respondents)

Section 161 of the *Securities Act*, RSBC 1996, c. 418

¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions, and apply for orders against the Respondents under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

Summary

1. Between September 1, 2017 and November 1, 2019 (Relevant Period), the Respondents committed fraud by lying to customers about a crypto trading platform (the Platform) and misappropriating deposited customer assets for their own speculative investments and personal use.
2. By engaging in the conduct as set out in this Notice of Hearing, the Respondents contravened section 57(b) of the Act, as it then was.

¶ 2 **Background**

3. Gokturk was registered under the Act as an investment advisor from August 13, 2002 to March 14, 2003 and as a salesperson from March 14, 2003 to September 22, 2006. During the Relevant Period he was a resident of British Columbia.
4. Einstein Exchange Inc. (Einstein Exchange) was incorporated in British Columbia on December 19, 2017 and dissolved June 8, 2020.
5. Einstein Capital Partners Ltd. (Einstein Capital) was incorporated in British Columbia on May 19, 2017 and dissolved June 1, 2020. It was formerly known as 1119707 B.C. Ltd.
6. Einstein Law Corporation (Einstein Law) was incorporated in British Columbia on December 6, 2017 and dissolved May 25, 2020. Notwithstanding its name, Einstein Law was not an incorporated law practice and Gokturk, its sole director, was not a lawyer.
7. None of the Einstein corporate respondents have ever been registered in any capacity under the Act.

8. Einstein Exchange operated the Platform during the Relevant Period. All but one of the bank accounts which the Platform used to receive customer deposits were in the name of Einstein Capital. The remaining bank account was in the name of Einstein Law.
9. Gokturk was the sole director and the directing mind of each of the Einstein corporate respondents. Accordingly, all the Respondents were in a common enterprise with respect to the Platform.

Misconduct

Fraud

10. The Platform purported to be a crypto trading platform (accessible online at einstein.exchange) that allowed customers to buy, sell, and store crypto assets. The agreements between the Platform and its customers were futures contracts, which were securities under the Act.
11. Customers opened accounts on the Platform to deposit money and crypto assets. An account dashboard on the Platform displayed customers' purported current account holdings.
12. The Respondents induced customers to make deposits into the Platform by falsely representing that, among other things:
 - (a) the Platform provided safe and secure storage for their money and crypto assets;
 - (b) customers could withdraw funds same-day to their bank;
 - (c) the Platform kept crypto addresses (called "wallets") encrypted and the majority of its assets offline in "cold storage;" and
 - (d) the Platform provided an unparalleled combination of secure and responsive currency management.(collectively, the Claims)
13. All of the Claims were false. In reality:
 - (a) the Respondents transferred customer assets into various of the Respondents' bank accounts and into Gokturk's personal wallets at third-party trading platforms; the Respondents misappropriated those assets for speculative investments, to fund the Platform's operations, and to pay out other customers' withdrawals;

- (b) many customers could not withdraw their funds same-day, or at all, to their bank as a result of the Respondents' misappropriation;
 - (c) the Platform did not retain custody of most of its customers' assets; and
 - (d) accordingly, the Platform did not provide secure nor responsive currency management.
14. Moreover, the Respondents perpetuated the fraud through the following conduct:
- (a) after becoming insolvent in January 2018, they operated the Platform as a Ponzi scheme by continuing to accept deposits and paying out some customers with money and crypto assets drawn from the pooled bank accounts and wallets;
 - (b) they purported to act as a counterparty to customer trades, but failed to acquire corresponding assets to fulfill the transactions;
 - (c) they populated customer dashboards with information which falsely suggested that orders had been processed and assets were available; and
 - (d) after becoming insolvent, they continued to enter into separate contracts to trade crypto assets in bulk with large investors using their customers' money and crypto assets.
15. At its peak, on January 9, 2018, the Respondents held money and crypto assets on behalf of customers exceeding \$34 million USD in value. By July 1, 2019, the Respondents owed their customers money and crypto assets totaling approximately \$19.2 million USD in value, but held assets totaling only approximately \$100,000 USD in value. Accordingly, the Respondents caused a deprivation to their customers of approximately \$19.1 million USD. On November 1, 2019, the Respondents entered receivership.

Contraventions under 168.2 of the Act – Michael Ongun Gokturk

16. In addition to contravening section 57(b) by his own personal actions, Gokturk, as the sole director and the directing mind of the Einstein corporate respondents, also authorized, permitted, and/or acquiesced in their contraventions of section 57(b) of the Act and, accordingly, contravened those same provisions that they did by operation of section 168.2 of the Act.

Hearing Process

- ¶ 3 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **May 14, 2024, at 9:00 a.m.** if they wish to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondent upon request to the Executive Director.
- ¶ 4 At the Hearing, the Respondents may be represented by counsel, make submissions, and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Hearing Office at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: hearingoffice@bcsc.bc.ca.
- ¶ 5 If the Respondents or their counsel do not appear at the Hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.
- ¶ 6 Orders made against the Respondents in this matter may automatically take effect against them in other Canadian jurisdictions, without further notice to them.

Peter J Brady
1/31/2024 | 12:18 PM PST

- ¶ 7 Peter J. Brady
Executive Director