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News Release

Vancouver company to pay \$3.3 million to the BCSC for making misrepresentations, illegally distributing securities and operating an unauthorized exchange

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*Vancouver* – A Vancouver payment processing company [has been ordered](#) to pay more than \$3.3 million to the BC Securities Commission (BCSC) after admitting to making misrepresentations, illegally distributing securities and operating an unauthorized exchange – all of it related to a crypto-asset it created and sold.

The funds will be made available to the investors who lost money as a result of the company’s misconduct.

NetCents, which was listed on the Canadian Securities Exchange at the time of the misconduct, created a crypto-asset called the NetCents Coin, which it sold to approximately 500 investors in B.C. and elsewhere from September to December 2017, for total proceeds of \$3.3 million.

Although the coin was an investment contract – and therefore a security – NetCents did not file a prospectus, which is a formal document providing details of an investment. Without a prospectus, or an exemption from the prospectus requirement, NetCents illegally distributed securities.

NetCents claimed on its website that an independent non-profit organization called the NetCents Coin Organization (NCC Organization) was issuing the coin and would manage the network of nodes for coin transaction authorizations. It also said all proceeds from sales of the coin would remain in the treasury reserve account of the NCC Organization for the benefit of all coin holders.

NetCents maintained another website that purported to represent a non-profit organization, the NetCents Coin Foundation (NCC Foundation) whose mission was to develop, administer, promote and maintain the coins on behalf of its community. The website claimed that two of its key roles were releasing the coins according to a schedule and administering the reserve account.

However, neither the NCC Organization nor the NCC Foundation existed during the distribution period and could not have done any of the things that NetCents claimed it did. Instead, all of the proceeds from sales of the coin went to NetCents.

NetCents posted a news release in late November 2017 claiming that the first two tranches of coin releases had been completely sold out, and that a third tranche was selling. It also said the coin’s value had quadrupled. However, neither the first nor second tranches had been sold out before either news release was issued.

NetCents posted a YouTube video that said NetCents had a “monthly revenue of \$100,000 and growing.” But the company’s own financial disclosure showed that its revenue for the entire 2017 fiscal year was less than \$100,000.

By publishing or issuing the website statements, news releases and YouTube video, NetCents made statements to investors that it knew, or ought reasonably to have known, were misrepresentations under B.C.’s *Securities Act*.

NetCents also established an online exchange where customers opened accounts and submitted orders to buy and sell the coins. However, NetCents was not recognized by the BCSC as an exchange, as required by the Act.

NetCents’s directors and officers at the time of the misconduct are no longer involved in the company’s management.

NetCents is also prohibited under the settlement agreement from:

- Trading or purchasing any securities or derivatives
- Becoming or acting as a registrant or promoter, and
- Engaging in promotional activities by or on behalf of an issuer, security holder or party to a derivative, or another person who would reasonably be expected to benefit from the activity, or on its own behalf.

#### .About the BC Securities Commission ([bcsc.bc.ca](https://bcsc.bc.ca))

The BC Securities Commission, an independent provincial government agency, strives to make the investment market benefit the public. We set rules, monitor compliance by industry, take action against misconduct, and provide guidance to investors and industry. As guardians of BC’s investment market, we’re committed to maintaining a market that is honest, fair, competitive and dynamic, enabling British Columbians to thrive.

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