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## News Release

# BCSC alleges that Vancouver company made misrepresentations, illegally distributed securities and operated an unauthorized exchange

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*Vancouver* – The B.C. Securities Commission (BCSC) is [alleging](#) that a Vancouver payment processing company and its founder and CEO made misrepresentations and illegally distributed securities when it issued a crypto coin and then operated an unauthorized exchange for that coin.

NetCents, which was listed on the Canadian Securities Exchange from 2016 to 2021, 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.

Given the circumstances under which investors acquired the coins, the BCSC alleges that the coin was an investment contract, and thus a security. But NetCents did not file a prospectus – a formal document providing details of an investment – and did not have an exemption from the requirement to file a prospectus.

NetCents published on its website “The NetCents Coin White Paper,” which claimed that an independent non-profit organization called the NetCents Coin Organization was issuing the coin and would manage the network of nodes for coin transaction authorizations. The white paper also said that all proceeds from sales of the coin would remain in the treasury reserve account of the NetCents Coin Organization for the benefit of all coin holders.

NetCents maintained another website that purported to represent a non-profit organization, and which claimed that it was a foundation based in Zug, Switzerland 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, the BCSC alleges that no independent entity existed for these purposes and could not have done any of the things that NetCents claimed it did. Instead, all of the proceeds from sales of NetCents went to NetCents.

NetCents posted news releases in late November 2017 claiming that the first two tranches of coin releases had been completely sold out – the first at \$1 per coin, the second at \$2 per coin – and that a third tranche was being sold at four times the coin’s original price. However, neither the first nor second tranches had been sold out before either news release.

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.

The BCSC alleges that NetCents and its founder, CEO and director, Clayton Leigh Moore, knew or ought reasonably to have known that the statements on its websites, in its news releases and the YouTube video were misrepresentations.

NetCents also established an online exchange called the “NC Exchange,” where customers opened accounts and submitted orders to buy and sell the coins. NetCents charged customers a 0.25 per cent commission for each transaction, earning about \$10,200 from December 2017 to February 2019.

However, NetCents was not recognized by the BCSC as an exchange, as required by the *Securities Act*. If the NC Exchange was not an exchange that had to be recognized by the BCSC, it was an alternative trading system, and as such, committed three violations of a national rule:

- It was not registered as a dealer and was not a member of a self-regulatory organization, as required
- It was executing trades of securities that are not allowed on alternative trading systems, and
- It used the word “exchange” in its name, which is prohibited.

Moore, by authorizing, permitting or acquiescing in each of NetCents’s contraventions, committed the same contraventions.

The BCSC’s allegations have not been proven. The Commission requires NetCents and Moore, or their counsel, to appear at the BCSC’s offices on February 20, 2024 if they wish to be heard before a hearing is scheduled.

#### **About the B.C. Securities Commission ([www.bcsc.bc.ca](http://www.bcsc.bc.ca))**

The B.C. Securities Commission is the independent provincial government agency responsible for regulating capital markets in British Columbia through the administration of the Securities Act. Our mission is to protect and promote the public interest by fostering:

- A securities market that is fair and warrants public confidence
- A dynamic and competitive securities industry that provides investment opportunities and access to capital.

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