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Crypto trading platform lied to customers and diverted their assets to gambling, BCSC alleges

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## News Release

# Crypto trading platform lied to customers and diverted their assets to gambling, BCSC alleges

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*Vancouver* – A B.C.-based crypto trading platform committed fraud by lying to its customers and diverting about \$13 million in customer assets to gambling, the B.C. Securities Commission (BCSC) [alleges](#).

The platform, which operated under the name ezBtc, purportedly allowed customers to buy and sell various crypto assets. Customers opened accounts and deposited crypto assets, including bitcoin and Ether, into about 13,000 ezBtc wallet addresses. From 2016 to 2019, customers deposited over 2,300 bitcoin and over 600 Ether on the platform.

EzBtc was operated by 1081627 B.C. Ltd., which was incorporated by David Smillie. Smillie, a B.C. resident at the time, was the company's sole director.

EzBtc transferred incoming bitcoin and Ether to two online crypto gambling sites without customer authorization. Although the value of the assets fluctuated greatly, as of July 1, 2019, the value of the fraudulently transferred assets was about \$13 million.

EzBtc told customers and potential customers that it stored "over 99 per cent" of their bitcoin and other assets in "cold storage," which generally means off-line. The platform also displayed customers' purported holdings.

But the platform did not use cold storage, didn't retain custody of customers' assets, and most of the holdings that were displayed didn't exist. From 2016 to 2019, the platform's daily balance didn't exceed 11 bitcoin and 20 Ether. As a result, many customers weren't able to withdraw the crypto assets they believed were held on the platform.

EzBtc is no longer operating.

The agreements between ezBtc and its customers relating to crypto assets were futures contracts, which were securities under the *Securities Act*. The BCSC alleges that ezBtc and Smillie committed securities fraud.

The BCSC's allegations have not been proven. The Commission requires the parties involved to appear at the BCSC's offices on June 27, 2023 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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