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## *Texas State Securities Board*

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IN THE MATTER OF §  
R2B COIN §

Order No. ENF-18-CDO-1756

TO: R2B COIN  
8 Finance Street, Central, Hong Kong

### **EMERGENCY CEASE AND DESIST ORDER**

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas (hereinafter referred to as the "Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. arts. 581-1 to 581-45 (West 2010 & Supp. 2017) (hereinafter referred to as the "Securities Act").

The Staff of the Enforcement Division of the Texas State Securities Board has presented evidence sufficient for the Securities Commissioner to find that:

#### **FINDINGS OF FACT**

1. R2B COIN (hereinafter referred to as "Respondent R2B COIN") maintains a last known address at 8 Finance Street, Central, Hong Kong.
2. Respondent R2B COIN is developing r2b coin, a pre-mined cryptocurrency also known as the "Asian Currency" that will be "[s]ecurely developed and traded on the Ethereum blockchain platform."
3. Respondent R2B COIN is claiming that "r2b coin has become recognized as one of the leading cryptocurrencies in the world" and that it "is the most stable digital currency in the world based on MLM."
4. Respondent R2B COIN is also representing that it expects r2b coin "will be among the top 10 currencies in 1-1,5 [sic] years," and that r2b coin "is set out to be among the 5 largest and most usable digital currencies within [sic] 2019."

#### **THE PRINCIPALS OF R2B COIN**

5. Respondent R2B COIN maintains an internet website accessible at <https://r-2b.com/> (hereinafter referred to as the "R2B COIN Website").

6. The R2B COIN Website identifies its managers as David Wu, the Asian Marketing Director of Respondent R2B COIN, and Eddie Lo, the Business Director of Respondent R2B COIN. It provides photographs that purportedly depict David Wu and Eddie Lo and a biography for David Wu.
7. The photograph used to depict Eddie Lo is the same photograph used to depict an individual named George Curry elsewhere on the R2B COIN Website.

#### WILLIAMS CORPORATION LIMITED

8. Respondent R2B COIN represents the distribution of r2b coin is processed and managed by Williams Corporation Limited (hereinafter referred to as "Williams Corporation"), an entity purportedly domiciled in Hong Kong and Dubai.
9. Respondent R2B COIN claims Williams Corporation is a "licensed global firm," a "licensed and brokered" firm and a "licensed securities dealer."
10. These representations notwithstanding, Williams Corporation has not been registered with the State Securities Board or with the Financial Industry Regulatory Authority, also known as FINRA, at any time material hereto.

#### THE OFFER OF R2B COINS IN TEXAS

11. Respondent R2B COIN is offering investors the opportunity to invest in r2b coin during a "pre-trade sales period" expected to last between three and four months.
12. Respondent R2B COIN is recruiting investors to offer r2b coin during the pre-trade sales period. It refers to these sales agents as affiliates and pays commissions to the affiliates in accordance with their position in multi-level marketing matrixes.
13. Affiliates are now offering r2b coin by means of using solicitations that target Texas residents.
14. Respondent R2B COIN is also inviting Texas residents to participate in "USA Conference Calls." The USA Conference Calls are hosted by representatives of R2B COIN, and these representatives market r2b coin to persons participating in the conference calls.
15. The R2B COIN Website, the USA Conference Calls, and the solicitations that target Texas residents tout the profitability of investing in r2b coin. These representations include the following:
  - a. Respondent R2B COIN is comparing r2b coin to Bitcoin, claiming that "Bitcoin started ten years ago at a few tenths of a cent and [has] grown to thousands and thousands of dollars" and that "the opportunity for r2b is truly unlimited,"
  - b. Respondent R2B COIN is claiming investors may be "passive" and that they "can simply enroll" then "sit back and watch [their investment] grow,"

- c. Respondent R2B COIN is representing investors “can get in for hundreds of bucks and make thousands of dollars,”
- d. Respondent R2B COIN is stating “[t]his is your chance to make the purchase of your lifetime, to be in from the start, to get the life you deserve,”
- e. Respondent R2B COIN is explaining that “the more you can afford to spend the more your life will change” and “the faster you buy the more you will make,” and
- f. Respondent R2B COIN is claiming investors are “realizing their dreams through cryptocurrency like this” and it has referred to r2b coin as “golden nest eggs.”

**PURCHASING R2B COIN  
FROM RESPONDENT R2B COIN USING THE R2B COIN WEBSITE**

- 16. Respondent R2B COIN, not cryptocurrency exchanges operating in the open market, determines the price of r2b coin during the pre-trade sales period. As of January 22, 2018, the price of r2b coin was \$9.67 per coin.
- 17. Investors may purchase r2b coin by creating an account at the R2B COIN Website and selecting from the following packages:
  - a. Investors may purchase the “Trainee Package” by spending \$100 to receive \$100 in r2b coin,
  - b. Investors may purchase the “Manager Package” by spending \$500 to receive \$520 in r2b coin,
  - c. Investors may purchase the “Team Manager Package” by spending \$2,500 to receive \$2,725 in r2b coin,
  - d. Investors may purchase the “Director Package” by spending \$5,000 to receive \$5,550 in r2b coin,
  - e. Investors may purchase the “CEO Package” by spending \$25,000 to receive \$30,000 in r2b coin, and
  - f. Investors may purchase the “Chairman Package” by spending \$50,000 to receive \$65,000 in r2b coin.
- 18. Respondent R2B COIN is running a “Special Promotion” where investors receive double the amount of coins in all packages. The “Special Promotion” was originally supposed to last through January 15, 2018, but has since been extended until February 14, 2018.

19. Respondent R2B COIN claims that more than 14,500 investors are already participating in r2b coin, and that these investors reside in thirty-four different countries, including the United States, Sweden, Italy, Norway, Iceland, South America and India.

**PROFITING FROM  
THE PURCHASE OF R2B COIN FROM RESPONDENT R2B COIN**

20. Respondent R2B COIN represents r2b coin will be available for public trading once Respondent R2B COIN sets its price at \$188.00 per coin.
21. Respondent R2B COIN expects r2b coin to increase in price from \$188 per coin to \$200 per coin within three months after the start of public trading.
22. Respondent R2B COIN also claims that it will secure a listing for stock on the Seng Exchange in Hong Kong, the NASDAQ in New York or the London Stock Exchange, and investors may swap their r2b coin for stock.
23. Respondent R2B COIN is touting the safety of investing in r2b coin. For example, Respondent R2B COIN is representing as follows:
- a. Respondent R2B COIN is representing that, "unlike any other market, all coins that has [sic] been released have increased in price after ICO (Initial Coin Offering)," and
  - b. Respondent R2B COIN is explaining that Bitcoin, Ethereum and Litecoin "are constantly going up and down in value" but that "r2b coin, if you study the history, only goes one way, and that's up. We're only going up. We never go down in value."
24. Although Respondent R2B COIN is touting the profitability and safety of r2b coin, the R2B COIN Website is requiring investors to enter a legal contract (hereinafter referred to as the "legal contract") that provides in part as follows:
- a. The legal contract represents that "past performance does not guarantee you future success" and that there is "no guarantee about the future value" of r2b coin,
  - b. The legal contract represents that any "...data, prices, news, opinions, researches[sic], analyses and/or any other information contained on the site is provided as general market commentary, and does not constitute any concrete and direct advice in how anyone should or should not make any decisions in the market..." and
  - c. The legal contract represents "the company makes absolutely no guarantee about the future value of participating... [Investors] accept that all participation... is at your sole option, discretion and risk."

## THE RECENT EFFORTS OF RESPONDENT R2B COIN

25. On January 11, 2018, during a USA Conference Call, Respondent R2B COIN described Respondent R2B COIN as a “young company” that is addressing its “growing pains.”
26. During the same USA Conference Call, Respondent R2B COIN represented that it is implementing “49 software updates,” including changes that will enhance security for accounts maintained at Respondent R2B COIN.
27. Respondent R2B COIN also claimed that the “support team” is “working around the clock” by “responding to issues” and “solving them.”
28. On January 15, 2018, Respondent R2B COIN circulated an electronic mail message titled “Updates from the Tech Team and The Management.” The message contained the following statements:
  - a. “This past few weeks were particularly intense in the development aspect of R-2B. We had to accelerate development over a growth that was not expected. We got to a point where the only sensible decision was to divert all effort to rework our codebase and rewrite some parts of the application from the ground up.”
  - b. “We’ve recruited experienced developers and together we’ve conceived a new structure and new procedures, while simultaneously maintaining the current structure and correcting errors as they are found.”
  - c. “As stated in previous communications, our focus is first and foremost security. We will require every user to validate their information (e-mail and the added mobile phone). This may be a nuisance but will ensure the secure performance of the application. Later in the year, increased security measures will be added with a two-factor authentication rolled out to every account.”
  - d. “Again, we are working as fast as we can to make sure the application reach [sic] a level of trust and security to all that desire to do business through it. We know that the state is far from acceptable and we are actively making sure that errors are corrected and that they will not be repeated in the future.”

## REGISTRATION VIOLATIONS

29. The r2b coins have not been registered by qualification, notification or coordination, and no permit has been granted for their sale in Texas.
30. Respondent R2B COIN has not been registered with the Securities Commissioner as a dealer or agent at any time material hereto.

31. Respondent R2B COIN is permitting persons residing in Texas who are not registered as dealers or agents to act as its affiliates.

#### FRAUD IN CONNECTION WITH THE OFFER OF R2B COIN

32. In connection with the offer of r2b coin, Respondent R2B COIN is intentionally failing to disclose its assets, liabilities and other financial information necessary for investors to assess the risks associated with purchasing r2b coins, and the failure to disclose this information constitutes the failure to disclose material facts.
33. In connection with the offer of r2b coin, Respondent R2B COIN is intentionally failing to disclose the identity and qualifications of its principals. The failure to disclose this information constitutes the failure to disclose material facts.
34. In connection with the offer of r2b coin, Respondent R2B COIN is intentionally failing to disclose that, while Respondent R2B COIN alone is now setting the price of r2b coin, Respondent R2B COIN is not disclosing the basis it uses to set the price of r2b coin and it is not disclosing the risk that any cryptocurrency exchanges or buyers and sellers on the free market may later set a price that is different from the price set by Respondent R2B COIN. The failure to disclose this information constitutes the failure to disclose material facts.

#### MISLEADING AND DECEPTIVE STATEMENTS

35. Respondent R2B COIN is touting the safety of r2b coin, in part by recognizing that Bitcoin, Ethereum and Litecoin "are constantly going up and own in value" but that r2b coin, "if you study the history, only goes one way, and that's up. We're only going up. We never go down in value." These statements are materially misleading or otherwise likely to deceive the public because:
- a. Governments may adopt legislation or regulations that may negatively impact the use, transfer, exchange or price of cryptocurrencies,
  - b. Cryptocurrencies are volatile, and the price of a cryptocurrency as it relates to fiat currency may decrease over a short period of time, resulting in significant loss to purchasers of the cryptocurrency,
  - c. A system or technical failure, or deficient source code, may negatively impact the ability to exchange cryptocurrencies and the price of cryptocurrencies,
  - d. A hacking incident or malicious attack may negatively impact the price of cryptocurrencies,

- e. Cryptocurrencies compete with all other cryptocurrencies, and this competition may negatively impact the price of a specific cryptocurrency, and
  - f. The R2B COIN Website represents that "past performance does not guarantee you future success" and that R2B COIN makes "no guarantee about the future value."
36. Respondent R2B COIN is representing that "[a]ccording to calculations, history, the number of available R2B Coins, market analysis and the help of the huge amount for [sic] marketing, it is expected that R2B Coins will reach \$200 within three months after the start of trading, and [it] will be among the top 10 currencies in 1-1,5 [sic] years." This statement is materially misleading or otherwise likely to deceive the public because:
- a. Respondent R2B COIN is not disclosing the basis for its analysis or how its calculations, history, the number of r2b coins, market analysis and marketing factor into the analysis, and
  - b. The legal contract also represents that any "...data, prices, news, opinions, researches, analyses and/or any other information contained on the site is provided as general market commentary, and does not constitute any concrete and direct advice in how anyone should or should not make any decisions in the market..." and
  - c. The legal contract further represents R2B COIN makes absolutely no guarantee about future value. You accept that all participation at r-2b.com is at your sole option, discretion and risk.
37. Respondent R2B COIN is representing that "unlike any other market, all coins that has [sic] been released have increased in price after ICO (Initial Coin Offering)." This statement is materially misleading or otherwise likely to deceive the public because, even if all coins that have been released have increased in price after an ICO, past performance of unrelated cryptocurrencies does not mean the price of r2b coin will increase following an initial coin offering.
38. Respondent R2B COIN is representing that Respondent R2B COIN will engage in "a stock offering either on the Seng Exchange in Hong Kong or the NASDAQ in New York or the London Stock Exchange" and that owners of r2b coins will be able to "swap [their] coins for a position on one of these exchanges." These statements are materially misleading or otherwise likely to deceive the public because Respondent R2B COIN is not disclosing the costs associated with listing stock on an exchange, the time it takes to secure listing on an exchange, the possibility that Respondent R2B COIN will not satisfy the requirements that predicate listing stock on an exchange and the risk that an exchange will reject the listing of the stock.

39. Respondent R2B COIN is representing that Williams Corporation is a “licensed global firm” a “licensed and brokered” firm and a “licensed securities dealer.” These statements are materially misleading or otherwise likely to deceive the public because:
- a. Respondent R2B COIN is not disclosing the agency or office issuing the license to Williams Corporation or the type of license issued to Williams Corporation, and
  - b. Williams Corporation has not been registered with the State Securities Board or with FINRA at any time material hereto.
40. Respondent R2B COIN is representing that affiliates may earn commissions by selling r2b coin. These statements are materially misleading or otherwise likely to deceive the public because affiliates who earn commissions by offering and selling r2b coin in Texas must generally be registered as dealers or agents with the State Securities Board.

#### **CONCLUSIONS OF LAW**

1. Investments in r2b coins are “securities” as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondent R2B COIN is violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondent R2B COIN is violating Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. Respondent R2B COIN is engaging in fraud in connection with the offer for sale of securities.
5. Respondent R2B COIN is making offers containing statements that are materially misleading or otherwise likely to deceive the public.
6. Respondent R2B’s conduct, acts, and practices threaten immediate and irreparable public harm.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

#### **ORDER**

1. It is therefore ORDERED that Respondent R2B COIN immediately CEASE AND DESIST from offering for sale any security in Texas until the security is registered

with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.

2. It is further ORDERED that Respondent R2B COIN immediately CEASE AND DESIST from acting as a securities dealer in Texas until Respondent R2B COIN is registered with the Securities Commissioner or is acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondent R2B COIN immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.
4. It is further ORDERED that Respondent R2B COIN immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

### **NOTICE**

Pursuant to Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 24<sup>th</sup> day of  
January, 2018.



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TRAVIS J. ILES  
Securities Commissioner