

**STATE OF NORTH DAKOTA**  
**SECURITIES DEPARTMENT**

In the Matter of Crystal Token	)	<b>CEASE AND DESIST ORDER,</b>
and its Officers, Directors, Agents,	)	<b>NOTICE OF CIVIL PENALTY,</b>
and Employees,	)	<b>ORDER FOR RESCISSION,</b>
	)	<b>AND</b>
	)	<b>NOTICE OF RIGHT TO</b>
Respondents.	)	<b>REQUEST A HEARING</b>

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**THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA TO:**

**CRYSTAL TOKEN, and its OFFICERS, DIRECTORS, AGENTS, and EMPLOYEES, RESPONDENTS.**

The North Dakota Securities Commissioner has a reasonable basis to believe that the Respondents have engaged in, are engaging in, or are about to engage in, acts, practices or transactions, as more fully described below, which are prohibited under Chapter 10-04 of the North Dakota Century Code (N.D.C.C.). It is necessary and appropriate in the public interest and for the protection of investors to restrain these acts, practices, or transactions of the Respondents.

1. Respondent Crystal Token is a company that alleges via its website that it is “a cryptocurrency token innovating the field of smart investments with the novel concept of Crystal AI Trading which satisfies the needs of all investors who desire a solid and constant passive income source.” No physical address is provided for its location or country of organization.
2. Respondent Crystal Token conducts its business primarily on the internet and maintains a website accessible at [www.crystaltoken.co](http://www.crystaltoken.co), (the website). According to the website, the company may be reached through a Telegram message board at: [https://t.me/crystaltoken\\_community](https://t.me/crystaltoken_community).

3. Through the website, Respondent Crystal Token is offering the general public, including residents of the state of North Dakota, an “evolutionary multi-utility token” named “CYL” to trade in other cryptocurrency and earn daily interest up to 2% per day. The website explains that interest paid on the staking of CYL is paid in another token known as “VCYL”.
4. The website states that Crystal Token proposes a number of business models that generate income. In the Frequently Asked Questions section of the website, it states Crystal AI Trading is a smart investment opportunity that rewards customers in VCYL, a virtual currency tied to the value of ETH. It states that VCYL can be converted into CYL and/or exchanged directly for ETH. It states that CYL tokens can be sold at any time and that interest can be earned without locking tokens for long periods of time. None of the offering materials on the website contemplate that purchasers of CYL tokens would have an eventual role in the management of the company.
5. In the Frequently Asked Questions section of the website Respondents describe a referral program in which investors can earn referral commissions of 50% of the fees and 5% of the daily interest earned by other investors referred by the participant. None of the offering materials disclose state and federal registration requirements for individuals engaged in the offer and sale of securities as an agent of the issuer.
6. Respondent Crystal Token willfully fails to disclose material facts when offering the investments and makes fraudulent misrepresentations including the following:
  - a. The background of the principals of Respondent Crystal Token and the actual location of its operations and management;

- b. Information about the assets and liabilities of Respondent Crystal Token and any other information describing the means by which Respondent will provide investors with the promised return on investments;
  - c. Information about its trading platform, proof of its existence, and the risk factors associated with its use; and
  - d. That the investments offered by Respondent are securities and not properly registered as such with state and federal regulators.
7. The investments offered for sale by Respondent Crystal Token are securities as defined in N.D.C.C. §10-04-02(19).
  8. The subject securities have not been registered with the Securities Department under N.D.C.C. §§ 10-04-07.1, 10-04-08, or 10-04-08.1; are not exempt securities under N.D.C.C. § 10-04-05; and have not been offered for sale or sold in exempt transactions under N.D.C.C. § 10-04-06; and are not federal covered securities or have not been properly filed as federal covered securities under N.D.C.C. § 10-04-08.4. All offers and/or sales of the subject investments were made in violation of N.D.C.C. § 10-04-04.
  9. The Respondent Crystal Token was not registered as a broker-dealer or issuer-dealer with the Securities Department at the time of the offers and/or sales of the subject investments, in violation of N.D.C.C. § 10-04-10(1).
  10. The Officers, Directors, Agents and Employees of the Respondent Crystal Token were not registered as an agent with the Securities Department at the time of the offers and/or sales of the subject investments, in violation of N.D.C.C. § 10-04-10(2).
  11. The Respondent Crystal Token has offered and/or sold the above-referenced securities by use of material misrepresentations and/or omissions, has engaged in

a scheme or artifice to defraud investors and/or has otherwise engaged in fraudulent or deceptive practices in violation of N.D.C.C. § 10-04-15.

**NOW, THEREFORE, IT IS ORDERED**, pursuant to N.D.C.C. § 10-04-16, that the Respondents shall immediately **CEASE AND DESIST**:

1. From offering for sale or selling in North Dakota the subject securities, or any other securities however denominated, unless and until such securities have been registered with the Securities Department or offered for sale pursuant to an exemption from registration.
2. From offering for sale or selling securities, or effecting transactions in securities, in North Dakota unless and until they have registered with the Securities Commissioner as broker-dealers, issuer-dealers or agents.
3. From using material misstatements or omissions, engaging in a scheme or artifice to defraud investors, or from engaging in any fraudulent or deceptive practices, in connection with the offer and/or sale of securities in this state.

**YOU ARE NOTIFIED** that any willful violation of this order is a **Class B Felony** pursuant to N.D.C.C. § 10-04-18(1). Pursuant to N.D.C.C. § 12.1-32-01(3), a **Class B Felony** is punishable by a \$20,000 fine and 10 years' imprisonment, with respect to a natural person. Pursuant to N.D.C.C. § 12.1-32-01.1(2), a **Class B Felony** is punishable by a \$70,000 fine with respect to an organization.

**YOU ARE FURTHER NOTIFIED** that, pursuant to N.D.C.C. § 12.1-09-03, a person is guilty of a criminal offense if that person intentionally "alters, destroys, mutilates, conceals, or removes a record, document, or thing with intent to impair

its verity or availability” in an official proceeding. As such, intentional destruction of any documents related to this matter may result in criminal prosecution.

#### **NOTICE OF CIVIL PENALTY**

**YOU ARE NOTIFIED** that the above-cited violations are sufficient grounds for the imposition of civil penalties pursuant to N.D.C.C. § 10-04-16(1). The Securities Commissioner does not herein assess a civil penalty, but the Commissioner expressly reserves the authority to assess civil penalties, not to exceed \$10,000 per violation, regarding the violations outlined above, any other violations subsequently discovered, or any future securities violations or violations of this order.

#### **ORDER FOR RESCISSION**

The Securities Commissioner further Orders that the Respondents shall, within sixty days of the date of this Order, make rescission of any transactions previously made with residents of the State of North Dakota, for the full amount paid for the securities, plus interest at the statutory rate, and less the amount of any income received on the securities by said resident, pursuant to the provisions of N.D.C.C. §§ 10-04-16(1) and 10-04-17.

#### **NOTICE OF RIGHT TO REQUEST A HEARING**

**YOU ARE NOTIFIED** that pursuant to N.D.C.C. § 10-04-12 you may request a hearing before the Securities Commissioner if such a request is made in writing WITHIN

FIFTEEN (15) DAYS AFTER THE RECEIPT OF THIS ORDER. The Respondents have the right to be represented by legal counsel at the hearing.

IN TESTIMONY WHEREOF, witness my hand and seal this 15<sup>th</sup> day of October, 2018.



  
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Karen J. Tyler, Securities Commissioner  
North Dakota Securities Department  
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State Capitol – Fifth Floor  
Bismarck, ND 58505-0510  
(701) 328-2910

STATE OF NORTH DAKOTA  
SECURITIES DEPARTMENT

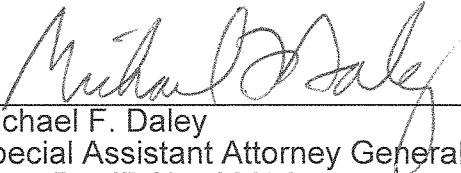
In the Matter of Crystal Token )  
and its Officers, Directors, Agents, )  
and Employees, )  
Respondents. )

**CERTIFICATE OF SERVICE**

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I, Michael F. Daley, hereby certify that on the 2nd day of October, 2018, I served the above-named Respondents, via Telegram message board at [https://t.me/crystaltoken\\_community](https://t.me/crystaltoken_community), with true and correct copies of the Cease and Desist Order, Notice of Civil Penalty, Order for Rescission, and Notice of Right to Request a Hearing, and this Certificate of Service.

Dated this 2nd day of October, 2018.

By:   
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