

RECEIVED
BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-21-0001

21 JAN 12 PM 1:12
ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:
ARBIRATE, LLC**

RESPONDENT

REQUEST FOR CEASE AND DESIST ORDER

The Staff of the Arkansas Securities Department (“Staff”) has received information and has in its possession certain evidence indicating that Arbitrate, LLC (“Arbitrate”) has violated provisions of the Arkansas Securities Act (“Act”), Ark. Code Ann. §§ 23-42-101 through 23-42-509.

ADMINISTRATIVE AUTHORITY

1. This matter is brought in connection with violations of the Act and is therefore properly before the Arkansas Securities Commissioner (“Commissioner”) in accordance with Ark. Code Ann. § 23-42-209.

RESPONDENT

2. Arbitrate is a limited liability company incorporated with the Arkansas Secretary of State’s office, filing number 811270247, having a purported principal place of business at 4077 Elm Springs Road, Springdale, Arkansas 72762. Arbitrate has never been registered with the Arkansas Securities Department (“Department”) in any capacity.
3. Arbitrate may be served through the following parties:
 - A. WhoisGuard, the Registrant, Tech Contact and Administrative Contact, at P.O. Box 0823-03411, Panama City, Panama, and through Quijano & Associates at the Salduba Building, Third Floor, 53rd East Street, Urbanizacion Marbella, Panama City, Republic of Panama;

B. Namecheap, Inc., the Registrar of Arbitrate.com, at 4600 East Washington Street, Suite 305, Phoenix, Arizona 85034; and

C. Fortes, the company that provides security for Arbitrate.com, at 2 rue Kellerman, 59170 Roubaix, France.

FACTS SUPPORTING REQUEST FOR CEASE-AND-DESIST ORDER

4. Arbitrate is a cryptocurrency company that claims to be a reliable platform in the world of cryptocurrency arbitrage. Arbitrate operates an internet website available to the public at www.arbitrate.com (“Arbitrate website”).
5. Through its website, Arbitrate claims that its platform “boosts profits of investors by finding the most profitable cryptocurrency combinations on the exchanges.” To maximize profits, Arbitrate purports to process and distribute investments to its investors through the use of “a unique AI-based bot, developed by Arbitrate, [that] collects information from 20+ popular cryptocurrency exchanges.” Arbitrate’s proprietary bot supposedly eliminates the need for human involvement in the investment selection process.
6. The Arbitrate website represents that investors will receive a profit immediately upon investing and guarantees 6% daily returns on investment. Specifically, the website proclaims “[y]ou will start receiving income every second immediately after investing your funds.” Arbitrate claims that all the investor has to do to earn these guaranteed profits is register with the company online through the website, select a payment system on the “Create a Deposit page,” and enter his or her desired amount to invest. Arbitrate will conduct all of the investment activity necessary to return the daily guaranteed profits to the investor.

7. In addition to its investment platform, Arbitrate offers a “profitable multi-tiered affiliate program.” The affiliate program purports to allow an investor to invite new members and receive a profit based of a percentage of the new member’s deposit.
8. The Arbitrate website states that “[s]ince 2020, Arbitrate has been conducting licensed activity...” However, the Staff’s investigation discovered that Arbitrate is not licensed to conduct any of its securities-related activities. The Staff’s review of registration records available through CRD found no securities registration for Arbitrate with any state or federal authority. The number used by Arbitrate on its website in connection to a “license”, #811270247, is the filing number that Arbitrate received when filing its incorporation documents with the Arkansas Secretary of State’s office.
9. Further, the Staff’s investigation concluded that Arbitrate was not located at the address listed as its principal place of business. The office manager for the business located at 4077 Elm Springs Road, Springdale, Arkansas 72762 confirmed to the Staff that Arbitrate was not a building tenant and did not conduct business from that address.
10. The Staff’s review of Department records found that the investment opportunities offered by Arbitrate were not registered pursuant to the Act. Additionally, the Staff found no record of a filing evidencing a proof of exemption in accordance with the Act and no notice filing pursuant to federal law in connection with a covered security.

APPLICABLE LAW

11. Ark. Code Ann. § 23-42-102(17)(A)(xi) defines “security” to include investment contracts.

12. Ark. Code Ann. § 23-42-102(3)(A) defines “broker-dealer” to mean any person engaged in the business of effecting transactions in securities for the account of others or for his or her own account.
13. Ark. Code Ann. § 23-42-301(a) states that it is unlawful for any person to transact business in Arkansas as a broker-dealer unless such person is registered under the Act.
14. Ark. Code Ann. § 23-42-501 states that is unlawful for any person to offer or sell any security in this state unless: 1) it is registered under the Act; 2) the security or transaction is exempted under Ark. Code Ann. § 23-42-503 or § 23-42-504; or 3) it is a covered security.
15. Ark. Code Ann. § 23-42-507(2) states that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.
16. Ark. Code Ann. § 23-42-507(3) states that is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly, to engage in any act, practice, or course of business which operates or would operate as fraud or deceit upon any person.
17. Ark. Code Ann. § 23-42-209(a) states that whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act, the Commissioner may summarily order the person to cease and desist from the act or practice.

CONCLUSIONS OF LAW

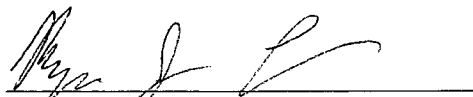
18. The services offered by Arbitrate to Arkansans and the public, where investors would invest monetary value into Arbitrate's cryptocurrency arbitrage platform from which profits would be derived from Arbitrate's system, were securities in the form of an investment contract under Ark. Code Ann. § 23-42-102.
19. The securities offered by Arbitrate were not registered with the Department, exempt from registration with the Department, or covered securities under federal law. Therefore, Arbitrate violated Ark. Code Ann. § 23-42-501 when it offered securities to Arkansans through its public website.
20. Arbitrate acted as a broker-dealer under Ark. Code Ann. § 23-42-102(3)(A) when it operated a platform that would conduct transactions in cryptocurrency arbitrage for the accounts of those who invested in Arbitrate. Arbitrate violated Ark. Code Ann. § 23-42-301(a) by conducting business as a broker-dealer in Arkansas without being registered with the Department pursuant to the Act.
21. Arbitrate violated Ark. Code Ann. § 23-42-507(2) by making false and misleading statements of material fact and omitting to make statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to promising guaranteed daily returns to investors; claiming that investors would receive immediate income after investing funds; claiming that Arbitrate was licensed to conduct securities-related business; and representing that its principal place of business was located at 4077 Elm Springs Road, Springdale, Arkansas 72762.
22. Arbitrate violated Ark. Code Ann. § 23-42-507(3) by operating a website that published false and misleading statements for the purpose of soliciting investors.

23. The conduct, acts, and practices of Arbitrate threaten immediate and irreparable public harm. A cease and desist order is in the public interest and is appropriate to Ark. Code Ann. § 23-42-209(a).

PRAYER FOR RELIEF

WHEREFORE, the Staff respectfully requests that the Commissioner summarily order Arbitrate, LLC to immediately cease and desist from offering and/or selling unregistered securities to residents of the State of Arkansas; acting as an unregistered broker-dealer in Arkansas; and committing fraud in connection with the offer and sale of securities in Arkansas.

Respectfully Submitted,



Ryan J. Little
Staff Attorney
Arkansas Securities Department