



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF)
)
TROPICAL TRADE,) Case No.: AP-18-14
)
 Respondent.)
)

**FINAL ORDER TO CEASE AND DESIST AND ORDER AWARDING RESTITUTION,
CIVIL PENALTIES, AND COSTS**

Now on the 22nd day of October, 2018, the Missouri Commissioner of Securities (“the Commissioner”), having reviewed this matter, issues the following findings and order:

I. PROCEDURAL BACKGROUND

1. On July 18, 2018, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (the “Enforcement Section”), through Enforcement Counsel Derek Green, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed.
2. On July 18, 2018, the Enforcement Section sent, via registered U.S. mail, return receipt requested, a copy of the Petition to Respondent’s last known address at Horton House, Exchange Flags, Liverpool L23PF, United Kingdom, and to who was believed to be Respondent’s attorney, Strugano & Co, at Azrieli Towers, Round Tower, 25th Floor, Menachem Begin Boulevard, Tel Aviv Israel 6701101.
3. On July 25, 2018, the Commissioner issued an Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed (the “Order”). The Office of the Commissioner sent, via registered U.S. mail, return service requested, a copy of the Order, and Notice of Right to Request a Hearing to the Respondent and Strugano & Co.
4. On or around July 25, 2018, a copy of the Order was made available to the general public on the Missouri Secretary of State’s website.¹

¹ <https://www.sos.mo.gov/CMSImages/Securities/AP-18-14.pdf>

5. On August 2, 2018, a representative of Strugano & Co contacted the Enforcement Section and informed them that Strugano & Co does not represent Respondent in this or any other matter.
6. On August 28, 2018, the Commissioner was served pursuant to Section 409.6-611(b), RSMo 2016,² by providing a copy of the process to the Office of the Commissioner.
7. On August 28, 2018, the Office of the Commissioner sent, via registered U.S. mail, return receipt requested, a Notice of the Service and a copy of the process to Respondent at Horton House, Exchange Flags, Liverpool L23PF, United Kingdom.
8. On August 28, 2018, the Enforcement Section filed an Affidavit of Compliance under Section 409.6-611 demonstrating that the Enforcement Section had exercised reasonable steps to give notice to Respondent and that substitute service on the Commissioner was justified.
9. On October 11, 2018, the Enforcement Section submitted a Motion for Final Order.
10. Respondent failed to request a hearing within the time allowed by Section 409.6-604.
11. The Commissioner has not ordered a hearing in this matter pursuant to Section 409.6-604.
12. To date, Respondent has failed to respond to the Motion for Final Order.

II. FINDINGS OF FACT

A. Introduction

13. From approximately October 2016 to November 2016, Tropical Trade (“Tropical”), a digital binary trading platform operated out of Liverpool, United Kingdom, solicited investments totaling \$92,000 in binary options from at least one Missouri resident by the fraudulent offer and sale of unregistered, non-exempt securities. Tropical advertised payouts as high as 400% by trading in binary options. Contrary to those advertisements, the Missouri investor in Tropical’s binary option offerings did not receive any returns. Tropical has been and is still completely nonresponsive to requests from the Missouri investor to withdraw or reimburse funds originally invested.

B. Respondent and Related Parties

14. Tropical is a digital binary options platform with an alleged address of Horton House, Exchange Flags, Liverpool L23PF, United Kingdom.
15. A check of the records maintained by the Commissioner indicates that at all times relevant to this matter, Respondent was not registered as an investment adviser, investment adviser

² Unless otherwise specified, all statutory references are to the 2016 Revised Statutes of Missouri.

representative, broker-dealer, broker-dealer agent, and/or issuer agent in the state of Missouri.

16. A check of the records maintained by the Commissioner indicates that at all times relevant to this matter, there was no registration, granted exemption, or notice filing indicating status as a “federal covered security” for the securities offered and/or sold by Respondent.
17. Jack London (“London”) is a purported representative of Tropical with an unknown address. A check of the Central Registration Depository (“CRD”) indicates London has never been registered as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, and/or issuer agent.

C. Enforcement Section’s Investigation

Features of Tropical Investments

18. Until at least July 27, 2017, Tropical maintained a website at tropicaltrade.com, which stated and/or contained the following:
 - a. “TropicalTrade offers between 70%-89% payout in binary options trading”;
 - b. “payouts are as high as 400%!”;
 - c. “High profits with no fees”; and
 - d. “Friendly and professional customer service”.
19. Tropical advertised a “Christmas Promotion Savings Plan” which guaranteed monthly returns of 12.1% (“Regular Savings Plan”), 14.9%, (“Medium Savings Plan”), or 17.3% (“Large Savings Plan”), depending on the plan selected.
20. The Regular Savings Plan required an initial investment of \$50,000 and assured a guaranteed account balance of \$175,640.34 after one year. Investors could not withdraw funds for the first six months.
21. The Medium Savings Plan required an initial investment of \$80,000 and assured a guaranteed account balance of \$368,574.98 after one year. Investors could not withdraw funds for the first six months.
22. The Large Savings Plan required an initial investment of \$100,000 and assured a guaranteed account balance of \$578,466.32 after one year. Investors could not withdraw funds for the first five months.

23. Additionally, Tropical required investors to sign a TropicalTrade Risk Free Terms & Conditions form (“T&C”). The T&C conditioned all withdrawals on the requirement that the requesting investor contribute additional funds.
24. The T&C specifically states that, “[y]ou cannot withdraw any funds until the trading volume (turnover) of [ten times] the refunded amount requirement has been met.”
25. The T&C also dictates that if any withdrawal-requesting investor has not satisfied the turnover requirement, “any withdrawal request will be automatically declined and your funds will remain in your trading account.”

Missouri Resident (“MR”)

26. A 58 year-old St. Louis, a Missouri resident (“MR”) found Tropical while browsing the web in or around October 2016.
27. On or around October 16, 2016, MR initially purchased \$5,000 of binary options with a credit card; these funds were lost due to market forces.
28. A representative with Tropical, identified as London, contacted MR the following day and claimed that MR could make MR’s money back if MR continued to invest with Tropical and purported MR could earn a 65%-85% return on investments.
29. MR invested \$87,000 in the following transactions via two different credit cards:
 - a. on October 17, 2016, two transactions totaling \$10,000;
 - b. on October 18, 2016, two transactions totaling \$10,000;
 - c. on November 15, 2016, two transactions totaling \$10,000;
 - d. on November 29, 2016, one transaction totaling \$2,000; and
 - e. on December 21, 2016, eleven transactions totaling \$55,000.
30. The investments from December 21, 2016, were contributed to Tropical’s “Christmas Promotion Savings Plan,” which promised a monthly return of 12.1% and guaranteed account balance of \$175,640.34 after one year. MR’s account did not accrue value as advertised.
31. On December 22, 2016, MR signed a “Tropical Trade Credit Transaction(s) Declaration Form” attesting to the validity of the aforementioned deposits.

32. On December 29, 2016, MR signed Tropical's T&C form limiting MR's withdrawal options. MR attests to attempting to withdraw the monies invested but "could never withdraw money ever."
33. Despite multiple attempts, MR has not been able to withdraw funds from MR's account with Tropical.

Enforcement Section's Contact with Tropical

34. On January 12, 2018, the Enforcement Section sent a letter via regular mail to Tropical with an alleged address of Horton House, Exchange Flags, Liverpool L23PF, United Kingdom requesting information including, but not limited to:
 - a. a list of all Missouri residents and/or Missouri entities that invested with, had an account with, or otherwise contracted with Tropical Trade and/or any entity related to Tropical Trade.
35. Tropical has not responded to the letter or the inquiries contained therein.
36. On February 22, 2018, the Enforcement Section sent the letter via email to accounting@tropicaltrade.com. The email was returned February 22, 2018, stating delivery had failed because the email address couldn't be found.
37. On March 6, 2018, the Enforcement Section called 347-783-5462. When the company answered, a representative stated that the company was located in Russia. The Enforcement Section inquired the name of the company, and the representative hung up immediately.
38. On March 7, 2018, the Enforcement Section called 347-783-5462 multiple times until the company answered. Again, when the name of the company was requested, the company representative immediately terminated the phone call.
39. To date, Tropical has not responded to the mailed letter or attempted contacts over the telephone.

III. CONCLUSIONS OF LAW

40. Because Respondent failed to request a hearing within the time allowed by Section 409.6-604, and because the Commissioner never ordered such a hearing, the Order issued on July 25, 2018, against Respondent became **FINAL** by operation of law.

Multiple Violations of Offering and Selling Unregistered, Non-Exempt Securities

41. **THE COMMISSIONER CONCLUDES** that Respondent violated Section 409.3-301 when Respondent offered and sold unregistered, non-exempt securities in the state of

Missouri when Respondent offered and sold binary options to MR in exchange for money from MR.

42. These activities constitute an offer and/or sale as those terms are defined in Section 409.1-102(26).
43. The investments Respondent offered and sold are either binary options deriving whatever value may have existed from an underlying asset, or a commodity or foreign currency. The investments that Respondent offered and/or sold constitute securities as that term is defined in Section 409.1-102(28).
44. At all times relevant to this matter, there was no registration, granted exemption, or notice filing indicating status as a “federal covered security” for the securities offered by Respondent.
45. Respondent offered and sold a security without this security being (1) a federal covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-203, or (3) registered under the Missouri Securities Act of 2003, in violation of Section 409.3-301.
46. Respondent offered and sold unregistered securities in violation of Section 409.3-301 which constitutes an illegal act, practice, or course of business, and such conduct is therefore subject to the Commissioner’s authority under Section 409.6-604.

Multiple Violations of Transacting Business as an Unregistered Broker-Dealer

47. **THE COMMISSIONER FURTHER CONCLUDES** that Respondent violated Section 409.4-401(a) when Respondent transacted business in the state of Missouri as an unregistered, non-exempt broker-dealer by engaging in the business of effecting transactions in securities for the account of others.
48. These activities constitute transacting business as a broker-dealer in the state of Missouri under Section 409.1-102(4).
49. At all times relevant to this matter, Respondent was not registered as a broker-dealer either with the Securities and Exchange Commission or with the state of Missouri.
50. Respondent transacted business in Missouri without being registered or exempt from registration as a broker-dealer in violation of Section 409.4-401(a).
51. Respondent’s conduct in violation of Section 409.4-401(a) constitutes an illegal act, practice, or course of business, and such conduct is therefore subject to the Commissioner’s authority under Section 409.6-604.

Multiple Violations of Making an Untrue Statement, Omitting to State Material Facts or Engaging in an Act, Practice, or Course of Business that Would Operate as a Fraud or Deceit Upon Another Person in Connection with the Offer or Sale of Securities

52. **THE COMMISSIONER FURTHER CONCLUDES** that Respondent violated Section 409.5-501, when, in connection with the offer, sale, or purchase of a security, Respondent made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to:
- a. advertising unrealistic returns in excess of 400% in addition to other high profits with no fees;
 - b. soliciting investments by promising those funds would appreciate to certain exact values; and
 - c. failing to tell aggrieved investors that they could not withdraw any funds until their respective accounts were qualified to do so.
53. These statements, in light of the circumstances under which they were made, were misleading statements because Respondent omitted to disclose the following material facts that could impact the return and the viability of MR's investments:
- a. that Respondent was operating without a Missouri business registration;
 - b. that Respondent was not registered to offer and/or sell securities in the state of Missouri; and
 - c. that the investments offered and sold to MR were not registered or exempt from registration.
54. In connection with the offer, sale or purchase of securities as described above, Respondent engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person by, among other things:
- a. soliciting MR to invest in binary options and promising extraordinary returns;
 - b. not registering as a broker-dealer, broker-dealer agent, investment adviser, investment adviser representative, or issuer agent in Missouri; and
 - c. not registering the investments sold in Missouri.
55. MR invested a total of approximately \$92,000 in binary options with MR receiving no returns on MR's investments.

56. Respondent made untrue statements of material fact, omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading or engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person in violation of Section 409.5-501.
57. Respondent's conduct in violation of Section 409.5-501 constitutes engaging in an illegal act, practice, or course of business, and such conduct is therefore subject to the Commissioner's authority under Section 409.6-604.
58. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. *See* Section 409.6-605(b).

IV. ORDER

NOW, THEREFORE, it is hereby ordered that Respondent, its agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in any violation of:

- A. Section 409.3-301, by offering any securities as defined by Section 409.1-102(28) in the state of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301;
- B. Section 409.4-401(a), by transacting business as an unregistered, non-exempt broker-dealer firm; and
- C. Section 409.5-501, by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent shall pay a civil penalty in the amount of \$10,000 for multiple violations of Section 409.3-301. This amount shall be made payable to the state of Missouri and paid within 30 days of the date of this Final Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent shall pay a civil penalty in the amount of \$10,000 for multiple violations of Section 409.4-401(a). This amount shall be made payable to the state of Missouri and paid within 30 days of the date of this Final Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent shall pay a civil penalty in the amount of \$10,000 for multiple violations of Section 409.5-501. This amount shall be made payable to the state of Missouri and paid within 30 days of the date of this Final Order. The Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri. This amount shall be sent to the Missouri Securities Division at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), Respondent shall pay restitution and interest in the amount of \$105,389.15 for violations of Sections 409.3-301, 409.4-401, and 409.5-501. This amount shall be made payable to the Missouri Secretary of State's Investor Restitution Fund, and the Commissioner will take reasonable and necessary actions to distribute such funds to MR. This amount shall be sent to the Missouri Securities Division at 600 West Main, P.O. Box 1276, Jefferson City, Missouri, 65102, within 30 days from the date of this Final Order.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(e), Respondent shall pay \$1,720 in actual costs for investigation into, and the proceedings associated with, this matter. This amount shall be made payable to the Investor Education and Protection Fund and shall be sent to the Missouri Securities Division, at 600 West Main Street, P.O. Box 1276, Jefferson City, Missouri 65102, within 30 days of the date of this Final Order.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 24th DAY OF OCTOBER, 2018.



JOHN R. ASHCROFT
SECRETARY OF STATE


DAVID M. MINNICK
COMMISSIONER OF SECURITIES

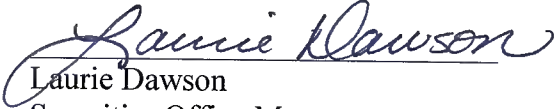
CERTIFICATE OF SERVICE

I hereby certify that on this 24 day of October, 2018, a copy of the foregoing Final Order to Cease and Desist and Order Awarding Restitution, Civil Penalties, and Costs Should Not Be Imposed in the above styled case was sent **by registered U.S. mail** to:

Tropical Trade
Horton House, Exchange Flags
Liverpool L23PF
United Kingdom

and hand delivered to:

Derek Green
Enforcement Counsel
Missouri Securities Division


Laurie Dawson
Securities Office Manager