

## ALBERTA SECURITIES COMMISSION

Citation: Re Edwards, 2023 ABASC 136

File No.: ENF-013053

Date: 20230913

### NOTICE OF HEARING

**To:** Devon Christopher Edwards and KB Crypto Inc. (Respondents)

**Notice:** The Alberta Securities Commission (the **Commission**) will convene at 2:30 p.m. on Wednesday, October 11, 2023, or as otherwise directed (the **Set Date Hearing**), at Calgary, Alberta, to set a date or dates for the conduct of a hearing regarding the allegations in this Notice (the **Merits Hearing**). At the Merits Hearing, the Commission will consider whether the allegations have been proven. If so, the Commission will subsequently consider whether it is in the public interest to make orders against you under sections 198, 199, and 202 of the *Securities Act*, RSA 2000, c. S-4, as amended (the *Act*).

**Location:** Alberta Securities Commission, 5<sup>th</sup> Floor, 250 – 5 Street S.W., Calgary, Alberta.

**Procedure:**

1. You may obtain disclosure and further information about particulars of the allegations in this Notice from Sakeb Nazim, c/o Alberta Securities Commission, 600, 250 - 5 Street SW, Calgary, Alberta, T2P 0R4, telephone: 403.592.8187, email: sakeb.nazim@asc.ca.
2. You may be represented by legal counsel or represent yourself. You or your legal counsel may make representations at the Set Date Hearing as part of the process for scheduling the Merits Hearing and the hearing management sessions that will take place between the Set Date Hearing and the Merits Hearing. At the Merits Hearing, you or your legal counsel may make representations and introduce relevant evidence regarding the allegations in this Notice.
3. If you or your legal counsel fail to attend the Set Date Hearing, the scheduling of the Merits Hearing and the hearing management sessions may proceed in your absence without further notice, and the Merits Hearing itself may proceed in your absence without further notice, following which orders may be made against you.

*See attached sections 29, 75(1)(a), 110(1), 198, 199 and 202 of the Act, and Commission Rule 15-501 – Rules of Practice and Procedure for Commission Proceedings.*

**Reciprocation:** Take notice that orders or settlements made by the Commission may form the basis for parallel orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to you. If an order is made or a settlement agreement is reached in relation to this Notice, you should contact the securities regulator of any other jurisdiction in which you may intend to engage in any securities related activities.

**Allegations:**

*Parties*

1. Devon Christopher Edwards (**Edwards**) is an individual who resides in Edmonton, Alberta.
2. KB Crypto Inc. (**KB Crypto**) is a corporation that was incorporated in the Bahamas by Edwards on November 16, 2021. Edwards is the sole director and shareholder, and the guiding mind of KB Crypto.

*Circumstances*

3. Between February 2021 and November 2022 (the **Relevant Period**), Edwards solicited funds from investors to purchase and trade securities or derivatives on their behalf. Edwards purported to operate the business through KB Crypto, but often received funds and executed purchases and trades of securities or derivatives in his own name.
4. During the Relevant Period, the Respondents began issuing securities by soliciting investors to enter into agreements (the **Agreements**) to invest capital into a pooled investment.
5. The Respondents introduced, promoted and discussed the Agreements with and raised capital from investors by offering weekly returns based on Edwards using his purported expertise in automated high frequency trading or arbitrage trading of the pooled investor funds.
6. At the direction of the Respondents, the investors entered into the Agreements by opening accounts through KB Crypto's website and transferring Bitcoin to the Respondents directly, which Edwards then converted to USD or one of several types of stablecoins to purchase and trade in various contracts for differences through online trading platforms based in foreign jurisdictions.
7. Investors were reliant upon the Respondents to make all of the investment decisions respecting the purchasing and trading of the securities or derivatives.
8. During the Relevant Period, the Respondents raised approximately \$446,600 USD from 75 investors. At least four investors were Alberta residents at the time they invested.

9. The Agreements between investors and the Respondents were each a “security” as defined in section 1(ggg) of the *Act*. The Respondents engaged in the solicitation of members of the public in furtherance of the sale of such securities through online promotional materials, and in fact entered into the Agreements with investors, both of which meet the definition of “trade” under section 1(jjj) of the *Act*.

#### *Illegal Distributions*

10. As described above, the Respondents engaged in acts in furtherance of a trade by advertising the Agreements and soliciting new investors to enter into the Agreements.
11. As trades in securities of an issuer that had not been previously issued, the Agreements between the investors and the Respondents were “distributions” as defined in section 1(p)(i) of the *Act*.
12. At no time did the Respondents file a prospectus or preliminary prospectus with the Executive Director of the Commission, or receive a receipt for the same, in respect of the Agreements.
13. The Respondents made no attempt to qualify investors for any of the prospectus exemptions listed in National Instrument 45-106, *Prospectus Exemptions*.
14. For the majority of the investors and the Agreements, no prospectus exemptions were available.

#### *Unregistered Dealing*

15. The Respondents engaged, or held themselves out as engaged in, the business of dealing in securities, as demonstrated by:
  - 15.1 soliciting funds from the public to conduct online trading by preparing and disseminating advertisements and promotional material about their trading business through a website, social media and client referrals;
  - 15.2 accepting money from the investors and then using it to purchase and trade in securities;
  - 15.3 engaging in trades repeatedly and frequently during the Relevant Period;
  - 15.4 being, or expecting to be, compensated for making trades in securities;
  - 15.5 obtaining all or virtually all of their respective incomes from the business of trading in securities; and
  - 15.6 otherwise engaging in activities similar to those of a registrant.
16. The Respondents were never registered in any capacity in accordance with Alberta securities laws, or the securities laws of any other jurisdiction in Canada.

17. None of the exemptions in part 8 of National Instrument 31-103, *Registrant Requirements, Exemptions and Ongoing Registrant Obligations*, applied to the Respondents or their activities described above.

*Breaches*

18. As a result of the above, Staff allege that:
- 18.1 the Respondents breached section 110(1) of the *Act* by distributing securities without having filed and received a receipt for a preliminary prospectus or a prospectus, and without an exemption from that requirement for some or all of the relevant distributions of the securities; and
- 18.2 the Respondents breached section 75(1)(a) of the *Act* by acting as dealers without being registered in accordance with Alberta securities laws.
19. Edwards authorized, permitted or acquiesced in KB Crypto's contraventions of sections 110(1) and 75(1)(a) of the *Act*. Therefore, in addition to directly engaging in the misconduct as alleged, Edwards also contravened those sections by operation of section 198(1.2) of the *Act*.

Calgary, Alberta, 13 September 2023.

) ALBERTA SECURITIES COMMISSION  
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 ) Samir Sabharwal  
 ) Executive Director