

ALBERTA SECURITIES COMMISSION

Citation: Re CatalX Ltd., 2025 ABASC 98

File No.: ENF-013419

Date: 20250711

NOTICE OF HEARING

To: CatalX CTS Ltd. (operating as Catalyx), Jae Ho Lee, Hyuk Jae Park
(Respondents)

Notice: The Alberta Securities Commission (the **Commission**) will convene at 1:00 p.m. on Monday, September 15, 2025, 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, 5th 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 Justin Dunphy, c/o Alberta Securities Commission, 600, 250 - 5 Street S.W., Calgary, Alberta, T2P 0R4, telephone: 403.355.1507, email: justin.dunphy@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, 93(1), 93.2, 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

Respondents and Relevant Corporations

1. CatalX CTS Ltd. (**Catalyx**) is a company incorporated in British Columbia on February 5, 2018 under a predecessor name and continued in Alberta on September 10, 2019. Catalyx operated a crypto asset trading platform (CTP) at <https://catalyx.io> (the **Platform**) from February 2019 to January 2024 (**Relevant Period**).
2. Jae Ho Lee (**Lee**) is an individual whose last known address was Surrey, British Columbia. During the Relevant Period, Lee was a shareholder, director, chief financial officer and chief operating officer of Catalyx.
3. Hyuk Jae Park (**Park**) is an individual who resides in Vancouver, British Columbia. During the Relevant Period, Park was a director, shareholder and chief executive officer (**CEO**) of Catalyx.
4. Catalx Management Ltd. (**Catalyx Management**) is a company incorporated in British Columbia on August 28, 2018. Both Lee and Park were directors of Catalx Management during the Relevant Period. Catalx Management was responsible for funding the day-to-day operations of Catalyx, including payroll and operational expenses.
5. 56 Financials Inc. (**56 Financials**) is a company incorporated in Alberta on August 7, 2012. During the Relevant Period, Catalyx was its sole shareholder and Lee was its sole director.
6. Remote Bittax Services Ltd. (**Remote Bittax**) is a company incorporated in British Columbia on December 15, 2020. During the Relevant Period, Lee was Remote Bittax's sole director.
7. Bittrex Global GmbH (**Bittrex**), a Lichtenstein-based corporation licensed under the Lichtenstein *Token and Trusted Technology Service Provider Act* as a Token Depository and regulated by the Lichtenstein Financial Market Authority, acted as the third-party custodian for Catalyx.

Circumstances

8. During the Relevant Period, Catalyx offered CTP services to clients on the Platform that included the ability to deposit, buy, sell, hold, withdraw and transfer crypto assets.
9. During the Relevant Period, Catalyx made representations to clients on its website and in its terms of service (**Terms of Service**) about the CTP services it provided, including that:
 - 9.1 clients could fund their accounts by transferring crypto assets to a wallet address provided by Catalyx or by depositing fiat currency into bank accounts controlled by Catalyx;
 - 9.2 crypto assets transferred, and fiat currency deposited, to client accounts on the Platform would be held in trust for clients; and
 - 9.3 clients could trade fiat currency for crypto assets, as well as crypto assets for other crypto assets, by placing orders on the Platform.

(the Representations)

10. During the Relevant Period, Lee was responsible for the day-to-day operations of Catalyx. Lee also had signing authority over bank accounts held by Catalyx, Catalyx Management, 56 Financials and Remote Bittax. Crypto assets belonging to Catalyx's clients on the Platform were custodied by Bittrex, and Lee had unrestricted access to Catalyx's account at Bittrex.
11. As of September 30, 2023, Catalyx reported to the Commission that it held approximately \$12,900,000 USD worth of clients' crypto assets on the Platform.
12. By the end of 2023, clients were unable to trade or otherwise withdraw and transfer their fiat currency or crypto assets purportedly held in trust for clients on the Platform.
13. On January 19, 2024, Deloitte Restructuring Inc. (the **Receiver**) was appointed by the Court of King's Bench of Alberta as receiver for Catalyx and Catalyx Management under section 13(2) of the *Judicature Act*, RSA 2000, c J-2 and section 99(a) of the *Business Corporations Act*, RSA 2000, c B-9.
14. As of January 19, 2024, the Receiver reported that Catalyx's books and records showed approximately \$13,958,000 USD in crypto assets held on the Platform, but that the actual value of the crypto assets was approximately \$151,000 USD.

Lee's Fraudulent Course of Conduct

15. The agreement between clients, who acknowledged the Terms of Service upon creating accounts on the Platform through Catalyx's website, and Catalyx, were securities within the meaning of section 1(ggg) of the *Act* or derivatives within the meaning of section 1(n.01) of the *Act*.

16. During the Relevant Period, and contrary to the Representations, Lee misappropriated clients' crypto assets and deposits of fiat currency and used them for unauthorized purposes.
17. Beginning in February 2019, Lee withdrew at least \$14,030,000 CAD worth of clients' crypto assets from the Platform and transferred them to his own accounts at other CTPs as well as accounts under his direction and control with Remote Bittax at other CTPs. Lee returned approximately \$6,350,000 worth of crypto assets to the Platform.
18. Lee engaged in unauthorized uses of clients' crypto assets, including by:
 - 18.1 trading clients' crypto assets at the other CTPs;
 - 18.2 redeeming clients' crypto assets into fiat currency and depositing the proceeds into bank accounts held by Lee or Remote Bittax; and
 - 18.3 using clients' crypto assets purportedly to pay Catalyx's operational expenses.
19. In addition, during the Relevant Period, clients deposited fiat currency, mainly via e-transfer, into a bank account held by 56 Financials, which was intended to be transferred by Catalyx to Bittrex in order to allow clients to trade on the Platform.
20. Between June 2022 and June 2023, Lee, who had access and control over the 56 Financials bank account that held clients' fiat currency, as well as client fiat currency held at Bittrex, misappropriated those monies to Catalyx Management bank accounts for unauthorized purposes, including by:
 - 20.1 purportedly paying Catalyx's operating expenses; and
 - 20.2 transferring monies to personal bank accounts related to Lee, as well as individuals or entities associated with him.
21. The acts, practices or courses of conduct described in paragraphs 16, 17, 18 and 20 were acts of deceit, falsehood or other fraudulent means (the **Prohibited Acts**).

The Prohibited Acts Caused Deprivation

22. The Prohibited Acts caused deprivation, including by:
 - 22.1 depriving, or increasing the risk of deprivation to Catalyx users by removing the crypto assets custodied at Bittrex and held on the Platform in trust on their behalf; and
 - 22.2 depriving, or increasing the risk of deprivation to Catalyx users by removing their fiat currency held in the 56 Financials bank account in trust on their behalf, as well as the fiat currency custodied at Bittrex and held on the Platform.

Lee had Knowledge of Prohibited Acts and Deprivation

23. Lee had subjective knowledge of Prohibited Acts and had knowledge that the Prohibited Acts could put the pecuniary interests of clients at risk or cause them to suffer an actual loss.
24. In carrying out the Prohibited Acts, Lee engaged or participated directly or indirectly in an act, practice or course of conduct relating to a security or derivative that he knew or ought to have known may perpetrate a fraud on clients.

Catalyx's Written Undertaking to the Commission

25. On February 22, 2023, the Canadian Securities Administrators (**CSA**) issued CSA Staff Notice 21-332, indicating that all CTPs were required to file a pre-registration undertaking with the relevant CSA jurisdiction to permit them to continue operating in Canada while they seek registration and related exemptive relief with their respective securities regulator.
26. On March 24, 2023, Park, as CEO and on behalf of Catalyx, signed a pre-registration undertaking (the **Catalyx PRU**) with the Commission. Pursuant to the Catalyx PRU Catalyx undertook, among other things, to:
 - 26.1 promptly inform the Commission in writing of any material breach or failure of Catalyx or any of its third-party custodian's system of control or supervision, and what steps had been taken by Catalyx to address each such breach or failure;
 - 26.2 ensure it was proficient and experienced in holding crypto assets and had established and would maintain and apply policies and procedures that manage and mitigate custodial risks.
27. Any loss of clients' crypto assets was a material breach within the meaning of the Catalyx PRU described in subparagraph 26.1 that Catalyx was required to promptly report to the Commission.
28. The Catalyx PRU was a written undertaking to the Commission under section 93.2 of the *Act*.

Failure to Report a Material Breach

29. No later than November 24, 2023, Park was aware that Lee engaged in the Prohibited Acts and that clients had suffered the losses.
30. The loss described in paragraph 22 was a material breach within the meaning of the PRU, and despite discovery of the material breach on November 24, 2023, Catalyx failed to promptly inform the Commission of the material breach. On December 5, 2023 Catalyx informed the Commission that it was withdrawing from the Catalyx PRU, but failed to inform the Commission about the material breach.

31. Catalyx failed to inform the Commission about the material breach until December 21, 2023.

Failure to Maintain System of Controls

32. From March 24, 2023 until January 2024, Catalyx failed to establish and maintain and apply policies and procedures to manage and mitigate custodial risks, specifically, the risk that an employee would remove clients' fiat currency and crypto assets that were meant to be held in trust for clients. In particular, Catalyx failed to:

- 32.1 ensure proper financial controls existed to:

- 32.1.1 detect the removal of clients' crypto assets that were not authorized by the clients themselves;

- 32.1.2 detect the improper removal and use of clients' fiat currency deposits for operational expenses; and

- 32.2 ensure proper controls existed regarding the segregation of duties to prevent an individual employee from having unrestricted access to bank accounts under Catalyx's control and Catalyx accounts associated with Bittrex.

Park Authorized, Permitted or Acquiesced to the Failure to Comply with PRU

33. Park authorized, permitted or acquiesced in the breaches of undertakings of the Catalyx PRU as described in paragraphs 29 to 32 of this Notice.

Breaches

34. As a result of the above, Staff allege that:

- 34.1 Lee breached section 93(1)(b) of the *Act* by directly or indirectly engaging or participating in an act, practice or course of conduct relating to a security or a derivative that he knew or ought to have perpetrated a fraud on clients;

- 34.2 Catalyx breached section 93.2 of the *Act* by failing to comply with a written undertaking to the Commission to promptly report a material breach of the PRU to the Commission; and

- 34.3 Catalyx breached section 93.2 of the *Act* by failing to comply with a written undertaking to the Commission to establish and maintain and apply policies and procedures that managed and mitigated custodial risks, including but not limited to, an effective system of controls and supervision to safeguard clients' crypto assets.

35. Park authorized, permitted or acquiesced to the breaches of undertaking as set out in subparagraphs 34.2 and 34.3.

Calgary, Alberta, 11 July, 2025.

) ALBERTA SECURITIES COMMISSION

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) *“Original Signed By”*

) Samir Sabharwal

) Executive Director