

## ONTARIO SECURITIES COMMISSION

Applicant

-and-

**COINEX GLOBAL LIMITED**, a company with its main address in Hong Kong, **COINEX GLOBAL LIMITED**, a Canadian company, **COINEX GLOBAL LIMITED**, an Estonian company, **VINO GLOBAL LIMITED** and **HAIPO YANG**

Respondents

### **APPLICATION FOR ENFORCEMENT PROCEEDING** (Subsections 127(1) and 127(4.0.2) of the *Securities Act*, RSO 1990, c S.5)

#### **A. OVERVIEW**

1. The Applicant, the Ontario Securities Commission (the **Commission**), requests that the Capital Markets Tribunal (the **Tribunal**) make orders in the public interest against the Respondents without providing them an opportunity to be heard, reciprocating orders made by the Tribunal administratif des marchés financiers du Québec<sup>1</sup> (the **FMAT**).
2. The FMAT decided that the Respondents acted as securities dealers and distributed securities, contrary to the prospectus and registration requirements under Québec securities legislation, through operating an online crypto asset trading platform through their website, CoinEx.com (the **CoinEx Platform**), which is accessible from Canada. Accordingly, it imposed sanctions on them for their breaches of Québec securities legislation.
3. The CoinEx Platform facilitates transactions relating to crypto assets, including buying and selling contractual rights to crypto assets. The CoinEx Platform is subject to Ontario securities law, including the registration and prospectus requirements under the Ontario *Securities Act*<sup>2</sup> (the **Act**), which serve as important safeguards for investors. The requested orders are necessary to restrain potential future misconduct by the Respondents that exposes Ontario investors to

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<sup>1</sup> In English, the Québec Financial Markets Administrative Tribunal.

<sup>2</sup> [RSO 1990, c S.5](#).

unacceptable risks and creates an uneven playing field within the crypto asset trading platform sector.<sup>3</sup>

## **B. GROUNDS**

### **The FMAT Proceeding and Decision**

4. On November 14, 2023, the FMAT released its written decision, following three days of virtual hearings held on October 24, 25 and 27, 2023 (the **Decision**). The Respondents did not participate in the hearings and did not provide a valid reason for their absence, despite having been duly notified of the originating pleading and the hearing dates.

5. The FMAT held that some of the products and services that the Respondents offer on the CoinEx Platform are investment contract securities, and that the Respondents, among other contraventions of Québec securities legislation, acted as securities dealers without registration and distributed securities without a prospectus, in each case, without an applicable exemption.

### **The FMAT's Orders**

6. The sanctions the FMAT imposed on the Respondents in the Decision include the following:

- (a) with respect to the companies CoinEx Global Limited and Vino Global Limited:
  - (i) that they pay an administrative penalty of \$2 million, jointly and severally, for having breached Québec securities legislation;
  - (ii) that any exemptions available under Québec securities legislation cease to apply to them;
  - (iii) that they be banned from carrying on any business for the purpose of trading in securities, except for activities strictly necessary to enable users of the CoinEx Platform to withdraw their assets and close their accounts there; and
  - (iv) that they be banned from carrying on the business of securities adviser or acting as investment fund manager, except for activities strictly necessary

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<sup>3</sup> Several online crypto asset trading platforms are duly registered in Ontario. The Canadian Securities Administrators, of which the Commission is a member, maintains a list of ["Crypto Trading Platforms Authorized to Do Business with Canadians"](#) on its website.

to enable users of the CoinEx Platform to withdraw their assets and close their accounts there; and

- (b) with respect to the individual Haipo Yang:
  - (i) that he pay an administrative penalty of \$300,000 for having breached Québec securities legislation;
  - (ii) that any exemptions available under Québec securities legislation cease to apply to him;
  - (iii) that he be banned from carrying on any business for the purpose of trading in securities, except for activities strictly necessary to enable users of the CoinEx Platform to withdraw their assets and close their accounts there; and
  - (iv) that he be banned from carrying on the business of securities adviser or acting as investment fund manager, except for activities strictly necessary to enable users of the CoinEx Platform to withdraw their assets and close their accounts there; and
  - (v) that he be banned from acting as a director or officer of an issuer, dealer, adviser or investment fund manager for a period of five years.

### **The FMAT's Findings**

7. The Commission relies on the following findings of fact made by the FMAT:

#### **The Respondents**

- (a) CoinEx Global Limited, a company or group of companies having an establishment in Hong Kong, also doing business as "CoinEx" and "CoinEx.com" (referred to in the Decision as **CoinEx**);
- (b) CoinEx Global Limited, a legal entity incorporated under the *Canada Business Corporations Act*, having its head office in Markham, Ontario (referred to in the Decision as **CoinEx Canada**); and
- (c) CoinEx Global Limited, a legal entity registered under the laws of the Republic of Estonia (referred to in the Decision as **CoinEx Estonia**).

- (d) Vino Global Limited (referred to in the Decision as **Vino Global**), a legal entity incorporated under the laws of the State of Colorado, United States of America.
- (e) Haipo Yang (referred to in the Decision as **Yang**), an individual with a Canadian address in Markham, Ontario which is the same as that of the head office of CoinEx Canada. Yang is not a Canadian citizen or permanent resident. Yang is the main architect of the international corporate “ecosystem” in which CoinEx, CoinEx Canada, CoinEx Estonia and Vino Global operate. Yang is the founder of CoinEx, the sole member of the board of directors of CoinEx Canada, the sole member of the board of directors, sole shareholder and ultimate declared beneficiary of CoinEx Estonia, and the declared incorporator of Vino Global.

### **The CoinEx Platform**

- (f) The products and services offered through the CoinEx Platform include the following:
  - (i) Contracts representing contractual rights attached to a crypto asset or a value-referenced crypto asset (**Crypto Asset Contracts**);
  - (ii) Products referred to in the Decision as “USDT-M Futures Contracts” (also referred to as “Linear Contracts”) and “Coin-M Futures Contracts” (also referred to as “Inverse Contracts”) (collectively, **Crypto Futures Contracts**). These are contracts involving two parties, which create obligations and payment rights based on the value of an underlying interest. The Crypto Futures Contracts do not have a pre-set expiry date or settlement date and can be bought on margin to create leverage. Investors who purchase Crypto Futures Contracts do not have to take delivery of the crypto assets that represent the underlying interest;
  - (iii) Performance programs, which allow investors to deposit crypto assets into an account accessible through the CoinEx Platform to generate financial returns (**Financial Accounts**); and
  - (iv) “Automated Market Making” programs, in which investors act as market makers and share a portion of the fees collected on the CoinEx Platform from investors engaged in crypto asset trading activities using the CoinEx

Platform's "Automated Market Maker" service (**Automated Market Making**).

- (g) Users of the CoinEx Platform can obtain Crypto Asset Contracts by depositing crypto assets or fiat currency into an account accessible through the CoinEx Platform. Users can then use Crypto Asset Contracts to obtain other Crypto Asset Contracts, enter into Crypto Futures Contracts, or invest in Financial Accounts and Automated Market Making. The investor can then expect to make a profit from the increase in the value of the products and the sharing of returns resulting from the use of the services acquired by the investors.
- (h) The Respondents maintain custody of the crypto assets over which investors hold contractual rights on the CoinEx Platform. Since the Respondents do not immediately deliver the crypto assets, investors do not obtain possession of the crypto assets deposited or traded on the CoinEx Platform.
- (i) The Respondents are responsible for using the crypto assets over which investors have contractual rights to generate the represented returns.
- (j) The Respondents are also responsible for the following efforts in relation to the CoinEx Platform:
  - (i) the creation, development and establishment of the CoinEx Platform, as well as its design, management and updating;
  - (ii) the creation and management of the products and services offered;
  - (iii) the offer to generate passive profits online;
  - (iv) the promotion of the products and services offered;
  - (v) the acceptance and execution of transactions through the CoinEx Platform;
  - (vi) the selection of suppliers of services and equipment; and
  - (vii) the management of the Respondents' human resources.
- (k) The Crypto Asset Contracts, Financial Accounts and Automated Market Making constitute investment contract securities. The Crypto Futures Contracts are equivalent to contracts for difference.

- (l) The Respondents acted as intermediaries between sellers and purchasers of securities and derivatives.
- (m) The Respondents charge investors various fees when they trade on the CoinEx Platform.
- (n) The Respondents engaged in the business of trading in securities and derivatives on a repetitive, regular and continuous basis with Québec and Canadian investors.
- (o) The CoinEx Platform has supported 638 crypto assets and 1,045 “Markets”, and has had a daily trading volume of US\$399.32 million and a monthly trading volume of US\$15.70 billion, as of February 6, 2023.
- (p) In correspondence to the Alberta Securities Commission in spring 2022, the Respondents claimed that they had more than 38,000 Canadian clients who deposited an average of US\$1,779.50, for a total value of approximately US\$67,663,708.

### **Jurisdiction of the Tribunal**

8. The FMAT, which is a “securities regulatory authority of another province or territory in Canada”, as defined in subsection 127(10) of the Act, issued orders imposing sanctions on the Respondents. Pursuant to paragraph 2 of subsection 127(4.0.2) of the Act, the Tribunal may make any of the orders described in paragraphs 1 to 8.5 of subsection 127(1) of the Act against the Respondents without giving the Respondents an opportunity to be heard.

9. Each of the Crypto Asset Contracts, Crypto Futures Contracts, Financial Accounts and Automated Market Making offered by the Respondents on the CoinEx Platform is a security under the Act.

### **C. ORDER SOUGHT**

The Commission requests that the Tribunal make the following orders:

- (a) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by the Respondents shall cease permanently, except for transactions to permit users of the CoinEx Platform to withdraw their assets in the possession or control of the Respondents or third parties, and to close their accounts on the CoinEx Platform;

- (b) pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives of CoinEx, CoinEx Canada, CoinEx Estonia and Vino Global shall cease permanently, except for transactions to permit users of the CoinEx Platform to withdraw their assets in the possession or control of the Respondents or third parties, and to close their accounts on the CoinEx Platform;
- (c) pursuant to paragraph 2.1 of subsection 127(1) of the Act, the Respondents are permanently prohibited from acquiring any securities, except for transactions to permit users of the CoinEx Platform to withdraw their assets in the possession or control of the Respondents or third parties, and to close their accounts on the CoinEx Platform;
- (d) pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to the Respondents permanently;
- (e) pursuant to paragraph 8.5 of subsection 127(1) of the Act, the Respondents are permanently prohibited from becoming or acting as an adviser or as an investment fund manager, except for activities strictly necessary to enable users of the CoinEx Platform to withdraw their assets in the possession or control of the Respondents or third parties, and to close their accounts on the CoinEx Platform;
- (f) pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Yang must resign from any position that Yang holds as a director or officer of an issuer or registrant;
- (g) pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Yang is prohibited from acting as a director or officer of any issuer or registrant until November 14, 2028; and
- (h) such other order or orders as the Tribunal considers appropriate.

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