

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF TEXAS HOUSTON DIVISION

United States Courts Southern District of Texas FILED

09/11/2020

David J. Bradley, Clerk of Court

COMMODITY FUTURES TRADING COMMISSION, Plaintiff, v. MAYCO ALEXIS MALDONADO GARCIA, CESAR CASTANEDA, JOEL CASTANEDA GARCIA, and RODRIGO JOSE CASTRO MOLINA, jointly d/b/a GLOBAL TRADING CLUB, Defendants. Civil Action No. COMPLAINT FOR INJUNCTIVE RELIEF, RESTITUTION, CIVIL MONETARY PENALTIES, AND OTHER EQUITABLE RELIEF UNDER THE COMMODITY EXCHANGE ACT

Plaintiff, Commodity Futures Trading Commission (“Commission” or “CFTC”), an independent federal agency, by and through its attorneys, alleges as follows:

I. SUMMARY

1. From at least August 2016 through October 2017 (the “Relevant Period”), Mayco Alexis Maldonado Garcia (“Maldonado”), Cesar Castaneda (“Cesar Castaneda”), Joel Castaneda Garcia (“Joel Castaneda”), and Rodrigo Jose Castro Molina (“Castro”), jointly d/b/a Global Trading Club (collectively, “Defendants”), operated a fraudulent scheme involving the solicitation of customer funds which were to be used to speculate in price movements of Bitcoin, a digital asset. Specifically, Defendants and others falsely represented to actual and potential customers that their business, named Global Trading Club (“GTC”), employed “master traders” who had years of experience trading “crypto currency,” and used “cutting edge trading robots” to trade Bitcoin for customers “24 hours a day, 7 days a week.” Defendants further falsely represented that customer earnings would increase based on the amount of their deposit, and that

GTC would award bonuses to customers who referred others to GTC, in the form of a multi-level marketing scheme.

2. At least 27 individual customers deposited at least \$989,000 with one or more representatives of GTC.

3. To conceal their fraud, Defendants caused misleading trading statements to be posted online. GTC customers could access the online statements by logging into an Internet web site and/or a smartphone app. These misleading trading statements did not accurately reflect the Bitcoin trading purportedly undertaken by Defendants and led certain customers to believe they were earning significant amounts of money from Defendants' trading of Bitcoin on their behalf.

4. At various times during the Relevant Period, at least some customers unsuccessfully attempted to withdraw funds from their accounts. One or more Defendants responded with purported explanations regarding why the money could not be withdrawn, including that the web site and/or smartphone app were experiencing technical problems. Eventually, Defendants stopped responding to customers, some of whom lost the full amount of the funds they deposited with Defendants for trading.

5. By this conduct and the conduct further described herein, Defendants engaged, are engaging, and/or are about to engage in fraudulent acts and practices in violation of Section 6(c)(1) of the Commodity Exchange Act ("Act"), 7 U.S.C. § 9(1) (2018), and Commission Regulation ("Regulation") 180.1(a), 17 C.F.R. § 180.1 (2019).

6. Accordingly, pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2018), the Commission brings this action to enjoin Defendants' unlawful acts and practices, to compel their compliance with the Act and Regulations, and to further enjoin Defendants from engaging in any

commodity interest-related activity. In addition, the Commission seeks civil monetary penalties, restitution, and ancillary remedial relief, including, but not limited to, trading and registration bans, rescission, disgorgement of benefits derived from Defendants' illegal activities, fees and costs, pre-judgment and post-judgment interest, and such other equitable relief as the Court may deem necessary and appropriate.

II. JURISDICTION AND VENUE

7. The Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 (2018) (federal question jurisdiction) and 28 U.S.C. § 1345 (2018) (district courts have original jurisdiction over civil actions commenced by the United States or by any agency expressly authorized to sue by Act of Congress). In addition, Section 6c of the Act, 7 U.S.C. § 13a-1 (2018), provides that United States district courts possess jurisdiction to hear actions brought by the CFTC for injunctive relief or to enforce compliance with the Act whenever it shall appear to the CFTC that such person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation, or order thereunder.

8. Venue properly lies with this Court pursuant to 7 U.S.C. § 13a-1(e) because Defendants reside in this District, transact or transacted business in this District, and certain transactions, acts, practices and courses of business alleged in this Complaint occurred within this District, among other places.

III. THE PARTIES

9. Plaintiff **Commodity Futures Trading Commission** is an independent federal regulatory agency charged by Congress with the administration and enforcement of the Act, and the Regulations promulgated thereunder. The CFTC maintains its principal office at Three Lafayette Centre, 1155 21st Street NW, Washington, D.C. 20581.

10. Defendant **Mayco Alexis Maldonado Garcia** is an individual residing in Pearland, Texas. Maldonado is also known by the names Mayco Maldonado and Mike Maldonado. He has never been registered with the CFTC.

11. Defendant **Cesar Castaneda** is an individual residing in Spring, Texas. Cesar Castaneda is also known by the name Cesar Castaneda Garcia. He has never been registered with the CFTC.

12. Defendant **Joel Castaneda Garcia** is an individual residing in Port St. Lucie, Florida. During the Relevant Period, he resided in Houston, Texas. He is the brother of Cesar Castaneda and is also known by the name Joel Castaneda. He has never been registered with the CFTC.

13. Defendant **Rodrigo Jose Castro Molina** is an individual residing in Houston, Texas. He is also known by the names Rodrigo Castro, Jose Molina, and Jose Castro. He has never been registered with the CFTC.

IV. STATUTORY BACKGROUND

14. Digital assets such as Bitcoin are encompassed in the definition of “commodity” under Section 1a(9) of the Act, 7 U.S.C. § 1a(9) (2018). For the purposes of this Complaint, a digital asset, also known as “virtual currency” or “cryptocurrency”, means a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value. Digital assets are distinct from “real” currencies, which are the coin and paper money of the United States or another country that are designated as legal tender, circulate, and are customarily used and accepted as a medium of exchange in the country of issuance. Digital assets typically use cryptographic protocols to secure transactions in that asset and use decentralized networks to track transactions between persons who are denominated only by publicly visible strings of characters. The transactions are captured in single blocks at a time,

which independent operators (called “miners,” a virtual analogy to actual miners whose efforts unearth gold, silver, and other precious metals) confirm by performing algorithmic proofs of work and for which they are usually awarded a sum of the virtual currency in question. The public nature of the decentralized ledger allows people to recognize the transfer of digital assets from one user to another without requiring any central intermediary in which both users need to trust.

V. FACTS

A. Defendants Solicited Customers to Purchase Bitcoin with GTC

15. In 2016, Defendants began to market a new business called GTC. The stated purpose of GTC was to offer customers an opportunity to profit from speculative trading that was based upon price fluctuations in Bitcoin.

16. Although Defendants marketed Bitcoin trading using the GTC name, GTC did not exist as a separate legal entity. Instead, Defendants Maldonado, Cesar Castaneda, and Joel Castaneda used separate corporate entities, and opened bank accounts in the names of those entities, through which they accepted deposits from GTC customers.

17. During the Relevant Period, Defendants continued to promote the GTC business using numerous channels, including a web site, www.gtexchange.com (“GTC web site”); a smartphone app called “GTC Digital”; videos posted to a YouTube channel; and a Facebook page called Global Trading Club. The GTC web site and Facebook page presented Castro as a key leader in the company. On the GTC web site, Castro was listed a member of GTC’s “Master Council Leadership”; on the GTC Facebook page and Castro’s personal Facebook page, Castro was called a “Financial Advisor Bitcoin” and a “Master Council” for GTC.

18. Additionally, throughout the Relevant Period, Defendants made representations directly to actual and potential customers during GTC “cryptocurrency” seminars held by

Defendants in Houston and elsewhere in the United States. During these seminars, Defendants shared a GTC marketing presentation, which contained the same representations found on the GTC web site and in the YouTube videos.

19. The GTC seminars conducted by one or more of the Defendants included the following:

- In September 2016, Maldonado spoke to members of a Korean-American church at a luncheon in Santa Maria, California;
- In September 2016 and February 2017, Maldonado spoke to potential customers at a seminar held in Hawaii;
- In September 2016, Castro and Maldonado spoke with potential customers in Los Angeles, and Castro spoke with potential customers in Las Vegas. Castro advertised these seminars in Spanish-language posts on Facebook;
- In September 2016, Castro, Cesar Castaneda, Joel Castaneda, and Maldonado hosted a seminar at Drury Inn and Suites in Houston. Castro advertised the seminar in a Spanish-language post on Facebook.
- In November 2016, Castro spoke with potential customers in Miami. He advertised this seminar in a Spanish-language post on Facebook, as well as a Spanish-language multilevel marketing web site, www.universomlm.com, in which Castro is referenced as a “socio fundador” (translated as “founding member”) and “Master Internacional” (translated as “International Master”) of GTC. Castro also purported to achieve “un explosivo crecimiento en apenas dos meses” (translated as “explosive growth in two short months”) for GTC; and
- In December 2016, Defendants hosted a GTC holiday party for potential customers at a hotel in Houston. Maldonado, Cesar Castaneda, Joel Castaneda, and Rodrigo Castro attended.

20. Throughout the Relevant Period, Maldonado also held one-on-one and small-group meetings with potential customers. Some of these meetings took place at a business office located in an apartment complex in Houston. During these meetings, Maldonado shared the GTC marketing presentation with customers.

21. Defendants marketed the GTC business to non-English-speaking residents of the United States. The GTC web site highlighted Korean- and Spanish-speaking representatives of the business. Maldonado circulated Spanish and Korean translations of the GTC marketing presentation to the other Defendants, as well as other individuals who marketed the GTC business on behalf of Defendants. The YouTube videos were also translated into Spanish, Korean, and other languages.

B. Defendants Made False and Misleading Representations when Soliciting GTC Customers

22. The GTC web site, YouTube videos, marketing presentations, and/or other GTC marketing materials included the following representations:

- GTC employed “over 75 master traders”
- These traders had years of trading experience in “crypto currency” trading;
- GTC customer “capital is continuously being traded in a real time environment, by our expert traders and cutting edge trading robots 24 hours a day, 7 days a week.”
- “With our automated trading software and monitoring system, trades are done automatic [sic] for members with no risk. Finally the best way to trade with no experience. *‘Put your bitcoin to work for you’.*” (emphasis in original)

23. The GTC marketing materials further represented that customers could join one of multiple GTC membership levels, ranging from \$250 (“Entrepreneur” level) to \$31,000 (“Founder Trader” level). The GTC marketing materials set forth guaranteed specific daily earnings, which would increase based on the customer’s membership level at GTC.

24. The GTC marketing materials offered further earnings through its multi-level marketing structure, under which customers could earn additional money by referring new customers to GTC. Customers were promised a cash bonus for each direct referral, in the amount of 20 percent of the deposit made by the referred customer. Customers were further

offered bonuses for indirect referrals and a “binary matching bonus” for multi-level marketing “teams.” The amount of the bonuses increased if customers made additional deposits with GTC, which placed them at a higher membership level within GTC.

25. Defendants made representations similar to those set forth in Paragraphs 22-24 during the GTC seminars, meetings with small groups of customers, and/or individual customer meetings described in paragraphs 15-21.

26. The representations set forth in Paragraphs 22-24 are false. Upon information and belief, Defendants employed no traders, and neither created nor used any trading robots. Accordingly, GTC customer capital was not “being traded in a real time environment, by our expert traders and cutting edge trading robots 24 hours a day, 7 days a week.” Additionally, one or more GTC customers did not receive any daily earnings or referral bonuses.

27. Defendants concealed their fraudulent conduct by causing misleading trading statements to be posted online. GTC customers could access the online statements by logging into a web site and/or the GTC Digital app, using a username and password. Once logged in, customers could see how much money they’d earned from GTC’s purported trading on their behalf. Upon information and belief, these misleading trading statements did not accurately reflect the Bitcoin trading purportedly undertaken by Defendants and led at least certain customers to believe they were earning significant profits from their Bitcoin trading.

**VI. VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND
COMMISSION REGULATIONS**

COUNT I

FRAUD BY DECEPTIVE DEVICE OR CONTRIVANCE

**Violations of Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2018)
and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019)**

28. Paragraphs 1 through 27 are re-alleged and incorporated herein by reference.

29. 7 U.S.C. § 9(1) provides, in relevant part:

It shall be unlawful for any person, directly or indirectly, to use or employ or attempt to use or employ, in connection with any swap, or a contract of sale of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity, any manipulative or deceptive device or contrivance, in contravention of such rules and regulations as the Commission shall promulgate

30. 17 C.F.R. § 180.1 provides, in relevant part:

(a) It shall be unlawful for any person, directly or indirectly, in connection with any swap, or contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity, to intentionally or recklessly:

(1) Use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;

(2) Make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading;

(3) Engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person,

31. Digital assets such as Bitcoin are encompassed in the definition of “commodity” under Section 1a(9) of the Act, 7 U.S.C. § 1a(9) (2018).

32. During the Relevant Period, Defendants intentionally or recklessly used or employed manipulative or deceptive devices or contrivances, in connection with contracts of sale of any commodity in interstate commerce, including:

- a. Misrepresenting that GTC employed “over 75 master traders” who had years of trading experience;
- b. Misrepresenting that GTC customer moneys were being traded “by our expert traders and cutting edge trading robots 24 hours a day, 7 days a week”;
- c. Misrepresenting that GTC customers could achieve specific daily earnings;
- d. Misrepresenting that GTC customers could earn bonuses by referring other customers to GTC; and
- e. Causing falsified information to be posted to a GTC web site and GTC Digital app that misrepresented the purported profits being earned by and for customers.

33. Each misrepresentation or omission of material fact, including, but not limited to, those specifically alleged herein, is alleged as a separate and distinct violation by Defendants of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a).

34. Each manipulative or deceptive device or contrivance, including but not limited to those specifically alleged herein, is alleged as a separate and distinct violation of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a).

VII. RELIEF REQUESTED

WHEREFORE, the CFTC respectfully requests that this Court, as authorized by Section 6c of the Act, 7 U.S.C. § 13a-1 (2012), and pursuant to the Court’s inherent equitable powers, enter:

- A. An order finding Defendants liable for violating Section 6(c)(1) of the Act, 7 U.S.C. § 9(1) (2018), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2019);

- B. An order of permanent injunction restraining and enjoining Defendants and their affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with them, who receive actual notice of such order by personal service or otherwise, from engaging in the conduct described above, in violation of 7 U.S.C. § 9(1) and 17 C.F.R. § 180.1(a);
- C. An order of permanent injunction restraining and enjoining Defendants and their affiliates, agents, servants, employees, successors, assigns, attorneys, and all persons in active concert with them, from directly or indirectly:
 - a. Trading on or subject to the rules of any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40) (2018));
 - b. Entering into any transactions involving “commodity interests” (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2019)) for accounts held in the name of Defendants or for accounts in which Defendants have a direct or indirect interest;
 - c. Having any commodity interests traded on Defendants’ behalf;
 - d. Controlling or directing the trading for or on behalf of any other person or entity, whether by power of attorney or otherwise, in any account involving commodity interests;
 - e. Soliciting, receiving or accepting any funds from any person for the purpose of purchasing or selling any commodity interests;
 - f. Applying for registration or claiming exemption from registration with the CFTC in any capacity, and engaging in any activity requiring registration or exemption

from registration with the CFTC, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2019); and

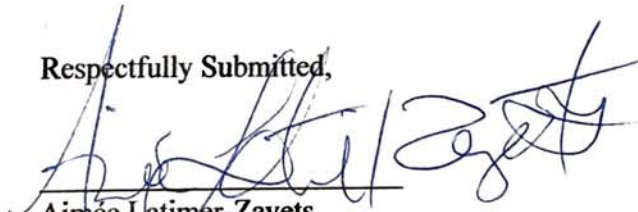
- g. Acting as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2019)), agent, or any other officer or employee of any person registered, exempted from registration, or required to be registered with the CFTC, except as provided for in 17 C.F.R. § 4.14(a)(9) (2019);
- D. An order requiring that Defendants, as well as any successors, disgorge to any officer appointed or directed by the Court all benefits received from the acts or practices that constitute violations of the Act and Regulations as described herein, including, but not limited to, salaries, commissions, loans, fees, revenues and trading profits derived, directly or indirectly, plus pre-judgment interest thereon from the date of such violations, and post-judgment interest;
- E. An order requiring Defendants and any of their successors to make full restitution to every person or entity whose funds Defendants received or caused another person or entity to receive pursuant to such procedure as the Court may order, to every customer whose funds Defendants received or caused another person or entity to receive as a result of the acts and practices described herein which constitute violations of the Act and Regulations, and pre-judgment interest from the date of such violations;
- F. An order directing Defendants, as well as any successors, to rescind, pursuant to such procedure as the Court may order, all contracts and agreements, whether implied or express, entered into between them and any of the customers whose funds were

received by them as a result of the acts and practices which constitute violations of the Act and Regulations, as described herein;

- G. An order directing Defendants to pay a civil monetary penalty for each violation of the Act and Regulations of not more than the amount set forth by Section 6c(d)(1) of the Act, 7 U.S.C. § 13a-1(d)(1) (2018), as adjusted for inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Pub. L. 114-74, 129 Stat. 584 (2015), title VII, Section 701, and promulgated in Commission Regulation 143.8, 17 C.F.R. § 143.8 (2019), plus post-judgment interest;
- H. An order requiring Defendants, as well as any successors, to pay costs and fees as permitted by 28 U.S.C. §§ 1920 and 2412(a)(2) (2018); and
- I. An order providing such other and further relief as the Court may deem necessary and appropriate under the circumstances.

Dated: September 11, 2020

Respectfully Submitted,



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