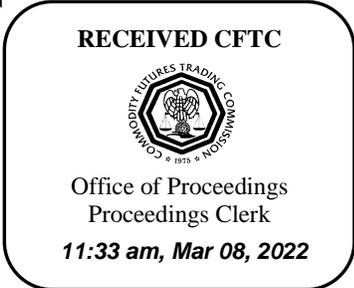


**UNITED STATES OF AMERICA**  
**Before the**  
**COMMODITY FUTURES TRADING COMMISSION**



\_\_\_\_\_) )  
In the Matter of: ) )  
 ) )  
James O. Ward, ) )  
 ) )  
Respondent. ) ) CFTC Docket No. 22-12  
\_\_\_\_\_) )

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO  
SECTION 6(c) AND (d) OF THE COMMODITY EXCHANGE ACT, MAKING  
FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

**I. INTRODUCTION**

The Commodity Futures Trading Commission (“Commission”) has reason to believe that from at least May 2017 to August 2017 (“Relevant Period”), James O. Ward (“Respondent” or “Ward”) violated, as set forth below, Section 6(c)(1) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 9(1), and Commission Regulation (“Regulation”) 180.1(a), 17 C.F.R. § 180.1(a) (2021). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Respondent admits to the facts set forth below, acknowledges that his conduct violated the Act and Regulations, admits the Commission’s jurisdiction over him and the subject matter of these proceedings, consents to the entry of this Order Instituting Proceedings Pursuant to Section 6(c) and (d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“Order”), and acknowledges service of this Order.

**II. FINDINGS**

The Commission finds the following:

**A. SUMMARY**

During the Relevant Period, Ward, together with accomplices, operated a manipulative and deceptive scheme in which they used the website [www.jet-coin.com](http://www.jet-coin.com) (“JetCoin website”) to solicit investments of millions of dollars’ worth of virtual currencies in the form of Bitcoin

whereby customers were promised guaranteed profits based on trading of Bitcoin, a virtual currency that is a commodity in interstate commerce, done by a team of professional traders or by recruiting additional customers into the purported investment opportunities. However, the purported investment opportunity was, in fact, a Ponzi scheme in which payouts of supposed profits to customers in actuality consisted of other customers' misappropriated funds. Instead of trading customer investments, Ward and his accomplices misappropriated many of the Bitcoin for themselves. By this conduct, Ward violated 6(c)(1) of the Act, 7 U.S.C. § 9(1), and Regulation 180.1(a)(1)-(3), 17 C.F.R. § 180.1(a).

## **B. RESPONDENT**

**James O. Ward** is an individual residing in Gulf Shores, Alabama. Ward was previously registered with the Commission as an Associated Person of a Futures Commission Merchant until 2009.

## **C. FACTS**

### **1. Ward's Participation in the Fraudulent Scheme**

In or around May 2017, Ward, together with accomplices, began doing business as JetCoin and launched the JetCoin website. Ward drafted the JetCoin website's content. Ward also registered the JetCoin website through a registration company located in Arizona, to an address in Arkansas. Ward, together with his accomplices, controlled the website and the purported investment opportunity presented by, and were principals of, the JetCoin scheme.

Using the JetCoin website and enlisting the help of promoters who operated in person, by telephone, and online, Ward and his accomplices made false and misleading representations to potential customers including the following which appeared on JetCoin's website:

- "JetCoin has a 100% success rate."
- Customers would double their Bitcoin investments in 40 to 50 days, reflecting passive income, depending on which investment package they chose ("JC1" through "JC8") and with the exception of the plan involving the smallest investment ("JC1").
- Customers would receive a daily payment of 4-5%, depending on which investment package they chose and with the exception of the plan involving the smallest investment ("JC1"). These guaranteed payouts were represented as a way to earn passive income through trading done by JetCoin. JetCoin purportedly used "the most robust system on the market," had "the top trading team in the industry" and "the sharpest minds in the industry." JetCoin solicited customers to "allow our professional traders do [*sic*] the work for you" by "tak[ing] advantage of the markets" and exploiting "the gap" or "the spread" in the price of Bitcoin.

- Customers would qualify for “binary commissions” by making sales, or soliciting new customers to JetCoin, ranging from 9% for “JC1” to 25% for “JC8.” These commissions were to be paid based on the volume of the customer’s recruit investments, depending on where the recruit was placed in the customer’s binary commission structure.

These statements were false and misleading because Ward and his accomplices did not employ or otherwise use the services of any traders and, in fact, did not trade Bitcoin; and because the guaranteed returns and “binary commission” payments were entirely fictitious. Any daily or commission payments made to customers by Ward and his accomplices were the product not of trading done by JetCoin, but instead, Ponzi payments reflecting misappropriated Bitcoin from other customers.

In or about early June 2017, a number of customers began experiencing difficulties with JetCoin’s website and failed to receive their promised guaranteed returns and binary commission payments from JetCoin. When JetCoin’s help desk began receiving customer complaints regarding these issues, Ward and his accomplices caused emails to be sent to customers falsely stating that JetCoin was working to resolve certain IT issues and that the guaranteed returns and “binary commission” payments would be restarted in the very near future. In actuality, JetCoin did not have the Bitcoin necessary to continue to make the promised payments due to Ward’s and his accomplices’ misappropriation. Nor did the emails to JetCoin customers correct the false statements made by Ward and his accomplices in soliciting JetCoin customers. And, contrary to the emails’ assurances, the promised payments to customers were not restarted.

Instead of resuming customer payments, Ward and his accomplices announced through JetCoin help desk emails sent to customers that JetCoin’s daily guaranteed payment structure was being reduced. In subsequent JetCoin help desk emails sent to customers in late June 2017, Ward and his accomplices announced a further reduction of promised payments and claiming that customers could qualify for a higher daily return only if the customer recruited 20 Bitcoin worth of new personal sales volume from new customers. These JetCoin help desk emails did not disclose that JetCoin’s previous, higher guaranteed payments were fictitious and were the product not of trading done by JetCoin, but, instead, Ponzi payments reflecting misappropriated Bitcoin from other customers.

After the JetCoin website was taken off line at or around the end June 2017, Ward and his accomplices informed customers via JetCoin help desk emails that “JetCoin 2.0” would be launching shortly with more changes to JetCoin’s investment structure including the new requirement that customers would have to recruit new investors in order to receive “binary commissions.” In the face of ensuing customer refund requests and customer complaints that JetCoin was a Ponzi scheme, Ward and his accomplices continued to cause emails to be sent to customers falsely claiming that the reduced guaranteed payments would be resuming imminently. For example, on June 24, 2017, in response to a customer’s question as to when the guaranteed payments would resume, Ward and his accomplices caused an email to be sent to that customer stating that “Payouts will begin on Sunday,” i.e., the next day. When that same customer complained—a mere two days later—that he still had not received any promised guaranteed payments, the JetCoin help desk responded via email that “our programming team is

still working on the updates to our system,” and promised, “We haven’t just disappeared like those before us.”

Ward and his accomplices also took efforts to conceal his and his accomplices’ association with JetCoin for fear of customer backlash. For example, after an accomplice complained about “getting beat up” by JetCoin customers, Ward proposed that he and that accomplice state that they were introduced to JetCoin by one of the other accomplices and that they did not know who the owners were.

Ward and his accomplices made – and caused to be made – these and other false and misleading statements and omissions of material facts intentionally or recklessly. In various voice messages to an accomplice, Ward stated:

- with respect to “people who want to sit by and earn money without doing anything,” that “no one believes in that crap,” meaning that the guaranteed returns should have been obviously fictitious to potential customers.
- that JetCoin required new customer investments in order “to stay alive,” and that if JetCoin’s website did not receive 250 Bitcoin each day, it would collapse or require the operators to pay out of their own pockets.
- that paying customers the passive daily guaranteed returns was “throwing that money away.”
- in discussing Bitcoin that remained in the JetCoin wallet as of July 2, 2017, that giving any of those funds back to customers would be “stupid” because it would not be sufficient to keep the JetCoin scheme operational.

Ward and his accomplices permanently shut down the JetCoin website in or about August 2017 and stopped responding to customer complaint inquiries. After that point, customers had no access to the accounts purportedly holding their investments, and no refunds were provided to customers. In late August 2017, Ward and his accomplices, using the same email addresses as the JetCoin help desk previously used, announced to customers that a purportedly new company with purportedly new management would be taking over the JetCoin operations. Through this new entity, Ward and his accomplices promised daily returns and commission payments similar to those promised by JetCoin. By mid-September, that new entity had shut down as well. Although Ward and his accomplices promised, via emails, that customer Bitcoin would be returned (less any daily or commission payments already paid) on August 29, 2017, those refunds did not take place.

## **2. Ward Advised an Accomplice to Destroy Evidence of The Fraudulent Scheme**

On or about June 5, 2018, one of Ward’s accomplices received a subpoena from the Federal Trade Commission (“FTC”) in connection with an investigation concerning at least one promoter of JetCoin. That accomplice solicited Ward’s advice on how to respond to the subpoena. Ward advised that accomplice to delete any documents related to JetCoin on the

accomplice's computer and provided instructions on how to do so, at one point explaining that that accomplice should search "jet" in his emails and delete all the results. Ward also told that accomplice on several occasions that, in his view, the accomplice should either light his computer on fire or throw it in a lake. In the end, that accomplice was able to delete the contents of his computer, and submitted the cleaned computer to the FTC on or about June 27, 2018.

### **3. Ward and His Accomplices' Misappropriation of Customer Funds**

As a result of Ward and his accomplices' fraudulent solicitation of customers and other false statements detailed above, Ward and his accomplices solicited approximately \$21.7 million in Bitcoin (valued at the time of investment) from customers throughout the United States and foreign countries. Ward, together with his accomplices, misappropriated to themselves a total of approximately \$7.884 million worth of Bitcoin of which Ward received at least \$509,000 worth of Bitcoin.

## **III. LEGAL DISCUSSION**

### **A. Use of a Manipulative or Deceptive Device in Violation of 6(c)(1) of the Act, 7 U.S.C. § 9(1), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2021)**

Section 6(c)(1) of the Act, 7 U.S.C. § 9(1), makes it "unlawful for any person, directly or indirectly, to use or employ, or attempt to use or employ, in connection with any...contract of sale of any commodity in interstate commerce, . . . any manipulative or deceptive device or contrivance, in contravention of such rules and regulations as the Commission shall promulgate." Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2021), in turn, provides that "it shall be unlawful for any person, directly or indirectly, in connection with any... contract of sale of commodities in interstate commerce, . . . 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; or (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."

Bitcoin is a "commodity" under Section 1a(9) of the Act, 7 U.S.C. § 1a(9), and contracts for its sale are subject to the prohibitions of Section 6(c)(1) of the Act and Regulation 180.1(a). *See CFTC v. McDonnell*, 287 F.Supp.3d 213, 228 (E.D.N.Y.), *aff'd on reconsideration*, 321 F.Supp.3d 366 (E.D.N.Y. 2018).

As described above, Ward, intentionally or recklessly, directly and indirectly, in connection with a commodity in interstate commerce: (a) used or employed, or attempted to use or employ, manipulative devices, schemes, and artifices to defraud; (b) made, or attempted to make, untrue or misleading statements of material facts; (c) omitted to state material facts necessary in order to make statements made not untrue or misleading; and (d) engaged, or attempted to engage, in acts, practices, and courses of business, which operated or would operate as a fraud or deceit upon any person, in violation of Section 6(c)(1) of the Act, and Regulation 180.1(a)(1)-(3).

Pursuant to Section 13(a) of the Act, Ward is also liable for his accomplices' violations of the Act and Regulations. Here, as described above, Ward knowingly participated in this scheme with his accomplices, aided and abetted their violations of the Act and Regulations, and acted in concert with them to make JetCoin succeed. *See In re Rogers and Toczykowski* [2003-2004 Transfer Binder] Comm. Fut. L. Rep. (CCH ¶ 29,808 at 56,368 (CFTC July 13, 2004)).

#### **IV. FINDINGS OF VIOLATIONS**

Based on the foregoing, the Commission finds that, during the Relevant Period, Ward violated Section 6(c)(1) of the Act, 7 U.S.C. § 9(1), and Regulation 180.1(a)(1)-(3), 17 C.F.R. § 180.1(a) (2021).

#### **V. OFFER OF SETTLEMENT**

Ward has submitted the Offer in which he:

- A. Acknowledges service of this Order;
- B. Admits the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- C. Admits to all of the findings made in this Order;
- D. Waives:
  - 1. The filing and service of a complaint and notice of hearing;
  - 2. A hearing;
  - 3. All post-hearing procedures;
  - 4. Judicial review by any court;
  - 5. Any defense based on the statute of limitations applicable to any charges brought, including any monetary relief, in connection with this Order;
  - 6. Any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
  - 7. Any and all claims that he may possess under the Equal Access to Justice Act, 5 U.S.C. § 504, and 28 U.S.C. § 2412, and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2021), relating to, or arising from, this proceeding;
  - 8. Any and all claims that he may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, tit. II, §§ 201–253, 110 Stat. 847, 857–74 (codified as amended at 28 U.S.C. § 2412 and in scattered

sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding;  
and

9. Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, including this Order;
- E. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Ward has consented in the Offer; and
- F. Consents to additional proceedings to determine what, if any, monetary relief may be required to be paid by Ward. In connection with such additional proceedings, Ward further consents that: (a) the findings of fact in Section II of this Order shall be accepted as and deemed true by the Presiding Officer; (b) Ward will be precluded from arguing that he did not violate the federal laws as described in Sections III and IV of this Order; and (c) he may not challenge the validity of his consents and agreements in the Offer or this Order; and
- G. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. Makes findings by the Commission that Ward violated Section 6(c)(1) of the Act, 7 U.S.C. § 9(1), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2021);
  2. Orders Ward to cease and desist from violating Section 6(c)(1) of the Act, 7 U.S.C. § 9(1), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2021);
  3. Orders that Ward be permanently prohibited from, directly or indirectly, engaging in 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), and all registered entities shall refuse Ward trading privileges;
  4. Orders Ward to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VI of this Order; and

Upon consideration, the Commission has determined to accept the Offer.

## **VI. ORDER**

### **Accordingly, IT IS HEREBY ORDERED THAT:**

- A. Ward shall cease and desist from violating Section 6(c)(1) of the Act, 7 U.S.C. § 9(1), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2021).
- B. Ward is permanently prohibited from, directly or indirectly, engaging in 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), and all registered entities shall refuse Ward trading privileges.

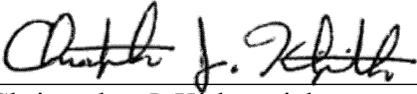
- C. At this time, the Commission reserves its determination as to monetary relief to be paid by Ward. The determination of what, if any, monetary relief may be assessed against Ward will be made at a public hearing for the purpose of taking evidence and hearing arguments on the issue in accordance with the Commission's Rules of Practice, 17 C.F.R. pt. 10 (2021), at a time and place to be fixed as provided in Regulation 10.61, 17 C.F.R. § 10.61 (2021), except that in the additional proceedings: (a) the findings of fact in Section II of this Order shall be accepted as and deemed true by the Presiding Officer; (b) Ward will be precluded from arguing that he did not violate the federal laws as described in Sections III and IV of this Order; and (c) Ward may not challenge the validity of his consents and agreements in the Offer or this Order. All post-hearing procedures shall be conducted pursuant to Regulations 10.81-10.107, 17 C.F.R. §§ 10.81-10.107 (2021).
- D. Ward shall comply with the following conditions and undertakings set forth in the Offer:
1. Public Statements: Ward agrees that neither he nor any agents or employees under his authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Ward's: (1) testimonial obligations; or (2) right to take legal positions in other proceedings to which the Commission is not a party. Ward shall comply with this agreement, and shall undertake all steps necessary to ensure that all of Ward's agents and/or employees under Ward's authority or control understand and comply with this agreement.
  2. Ward agrees that he shall never, directly or indirectly:
    - a. Enter into any transactions involving "commodity interests" (as that term is defined in Regulation 1.3, 17 C.F.R. § 1.3 (2021)), for Ward's own personal account(s) or for any account in which Ward has a direct or indirect interest;
    - b. Have any commodity interests traded on his behalf;
    - c. Control or direct 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;
    - d. Solicit, receive, or accept any funds from any person for the purpose of purchasing or selling any commodity interests;
    - e. Apply for registration or claim exemption from registration with the Commission in any capacity, and engage in any activity requiring such registration or exemption from registration with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9) (2021); and/or
    - f. Act as a principal (as that term is defined in Regulation 3.1(a), 17 C.F.R. § 3.1(a) (2021)), agent, or any other officer or employee of any person (as that term is defined in 7 U.S.C. § 1a(38), 7 U.S.C. § 1a(38)(2021), registered,

exempted from registration, or required to be registered with the Commission except as provided for in 17 C.F.R. § 4.14(a)(9));

3. Change of Address/Phone: Until such time as Ward satisfies in full his obligations as set forth in this Order and the Offer of Settlement, Ward shall provide written notice to the Commission by certified mail of any change to his telephone number and mailing address within ten calendar days of the change.

**The provisions of this Order shall be effective as of this date.**

By the Commission.



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Christopher J. Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission

Dated: March 8, 2022