



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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IN THE MATTER OF
MANTICORE LABS OÜ (o/a COINFIELD) AND MANTICORE LABS INC.

STATEMENT OF ALLEGATIONS

(Subsection 127(1) and Section 127.1 of the
Securities Act, RSO 1990, c S.5)

A. OVERVIEW

1. The Enforcement Branch of the Ontario Securities Commission (the **Commission**) brings this proceeding to hold Manticore Labs OÜ o/a CoinField and Manticore Labs Inc. (collectively, **CoinField**) accountable for disregarding Ontario securities law and to signal that crypto asset trading platforms flouting Ontario securities law will face regulatory action.
2. CoinField operates an online crypto asset trading platform (the **CoinField Platform**). The CoinField Platform was available to Ontario residents to deposit and trade in crypto asset products starting in at least 2018. Starting on or about December 3, 2021, the CoinField Platform was no longer accessible to new investors using an Ontario internet protocol (**IP**) address but remained accessible to Ontario investors with existing CoinField Platform accounts. Since in or about August 2023, the CoinField Platform became inaccessible to all investors.
3. CoinField is subject to Ontario securities law because the CoinField Platform offered crypto asset products that are securities and derivatives to investors, including Ontario investors. They nonetheless failed to comply with the registration and prospectus requirements under Ontario securities law.
4. Registration and disclosure are cornerstones of Ontario securities law. The registration requirement serves an important gate-keeping function by ensuring that only properly qualified and suitable persons are permitted to engage in the business of trading.

Prospectus requirements are fundamental to ensuring investors are provided with full, true and plain disclosure of all material facts relating to the securities being offered.

5. CoinField did not, and continues not to have sufficient crypto assets in custody to satisfy investor withdrawal requests. As a result, investors with crypto assets deposited on the CoinField Platform experienced delays withdrawing their assets. Some investors' withdrawal requests remained outstanding months after the initial withdrawal requests and still remain outstanding. CoinField did not tell its investors the true reasons for the delays.
6. Crypto trading platforms must ensure that client withdrawal requests can be honoured in a timely fashion. Crypto trading platforms that mislead clients concerning the reasons for the platform's delay in honouring client withdrawal requests further undermine public confidence in Ontario's capital markets.
7. Entities such as CoinField that do not comply with Ontario securities law expose Ontario investors to unacceptable risks and create an uneven playing field within the crypto asset trading platform sector.

B. FACTS

8. Staff of the Enforcement Branch of the Ontario Securities Commission (**Enforcement Staff**) makes the following allegations of fact:

(a) Manticore Labs OÜ and Manticore Labs Inc.

9. Manticore Labs OÜ operating as CoinField, is a company incorporated under the laws of Estonia. Manticore Labs Inc., a company incorporated under the laws of the British Virgin Islands, provides services for CoinField's account holders. Neither Manticore Labs OÜ nor Manticore Labs Inc. have ever been registered with the Commission in any capacity or obtained an exemption from the registration requirement. They have also never filed a prospectus with the Commission or obtained an exemption from the prospectus requirement.

(b) The CoinField Platform

10. The CoinField Platform could be accessed through the website located at www.coinfield.com and through mobile apps on the Google and Apple app stores.

11. The CoinField Platform went live in or around 2018.
12. Investors accessed the CoinField Platform by first creating an account on the platform using an online application process which required know-your-client information.
13. After opening an account, an investor could deposit crypto assets into the account. Investors made crypto asset deposits by transferring crypto assets to a custodial wallet controlled by CoinField. Investors were also provided with the option to purchase crypto assets using fiat currency, including Canadian dollars.
14. CoinField maintained custody of crypto assets deposited and traded on the CoinField Platform in wallets CoinField controls. Investors did not have possession or control of crypto assets deposited or traded on the CoinField Platform. Rather, investors saw crypto asset balances displayed in their account on the CoinField Platform. To take possession of crypto assets reflected in their account balance, investors requested a withdrawal and were dependent on CoinField to satisfy that withdrawal request by delivering crypto assets to an investor-controlled wallet.
15. While CoinField purports to facilitate trading of the crypto assets in its investors' accounts, in practice, CoinField only provided its investors with instruments or contracts involving crypto assets (**Crypto Contracts**). These Crypto Contracts constitute securities and/or derivatives and were offered to Ontario investors.
16. The CoinField Platform charges fees for trades on the platform and for crypto asset withdrawals.

(c) CoinField's Ontario Presence

17. From 2018, the CoinField Platform was accessible to Ontario investors.
18. On or about December 3, 2021, after being contacted by the Enforcement Branch regarding its activities in Ontario, CoinField published a post announcing that it would stop "onboarding new clients" from Ontario. Also on December 3, 2021, CoinField implemented a restriction based on IP addresses to purportedly restrict Ontario residents from creating an account on the CoinField Platform (**IP Address Restriction**).

19. Existing investors were not impacted by the IP Address Restriction, whether located in Ontario or elsewhere, and could continue to trade using their CoinField Platform accounts.
20. In addition, CoinField did not advise existing investors located in Ontario to withdraw their assets held on the CoinField Platform in light of the IP Address Restriction.
21. As of October 21, 2022, the CoinField Platform had a total of approximately 1,275 accounts for investors resident in Ontario (**Ontario Accounts**). Ontario investors traded the products offered on the CoinField Platform, as described above, in the Ontario Accounts.
22. CoinField advised that as at June 1, 2023, that the total value of all crypto assets and fiat held by all Canadian investors, converted to CAD, totaled approximately CAD 69.4 million.

(d) CoinField's Failure to Honour Withdrawal Requests and Misrepresentations

23. Commencing in approximately late 2022, CoinField delayed honouring withdrawal requests made by some of its investors, including Ontario investors. In at least one instance, the Ontario investor's withdrawal request was made in January 2023 and has still not been honoured.
24. Investors who experienced withdrawal delays and submitted support tickets to CoinField received little to no explanation for the delay in processing their requests. In May 2023, CoinField assured at least one Ontario investor whose withdrawal request was delayed that "[o]ur team is working on it and all the ongoing issues should be fixed very soon. All the funds are safe regardless of the status (enqueued, authorized, or any other status)."
25. In May 2023, Alex Lightman, who described himself as the "Ultimate Beneficial Owner" of CoinField, admitted to another provincial securities regulator that the true reason behind the withdrawal delays was because of a lack of funds and assets available to satisfy withdrawal requests.

26. Notwithstanding CoinField's admission, in or about May 2023, CoinField communicated to the Commission that the delays experienced by investors were due to an ongoing audit of the company.
27. Starting in or about August 2023, the CoinField website and mobile apps were no longer accessible to investors.

C. BREACHES AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

28. Enforcement Staff alleges the following breaches of Ontario securities law and/or conduct alleged to be contrary to the public interest:
 - (a) Manticore Labs OÜ and Manticore Labs Inc. each engaged in, or held itself out as engaging in, the business of trading in securities without the necessary registration or an applicable exemption from the registration requirement, contrary to subsection 25(1) of the *Securities Act*, RSO 1990, c. S.5, as amended (the **Act**);
 - (b) Manticore Labs OÜ and Manticore Labs Inc. each engaged in trading in securities which constitute distributions without complying with the prospectus requirements and without an applicable exemption from the prospectus requirements, contrary to section 53 of the Act;
 - (c) Manticore Labs OÜ and Manticore Labs Inc. made or caused others to make statements that a reasonable investor would consider relevant in deciding whether to enter into or maintain a trading or advising relationship, which statements were untrue or omitted information necessary to prevent the statements from being false or misleading in the circumstances in which they were made, contrary to subsection 44(2) of the Act; and
 - (d) In addition to breaching Ontario securities law as outlined above, Manticore Labs OÜ and Manticore Labs Inc. each acted in a manner contrary to the fundamental purposes and principles of the Act as set out in sections 1.1 and 2.1 of the Act, and contrary to the public interest. Specifically, by (i) failing to maintain custody of investors' crypto assets; (ii) failing to honour withdrawal requests in a timely manner or at all; (iii) failing to inform investors of the true reason for not honouring withdrawal requests; and (iv) misleading the Commission as to the true reasons for delays in honouring withdrawal requests,

CoinField undermined the fairness, efficiency, and confidence in the Ontario capital markets.

29. These allegations may be amended, and further and other allegations may be added as the Capital Markets Tribunal (the **Tribunal**) may permit.

D. ORDER SOUGHT

30. Enforcement Staff requests that the Tribunal make the following orders as against each of Manticore Labs OÜ and Manticore Labs Inc.:
- (a) that they cease trading in any securities or derivatives permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2 of subsection 127(1) of the Act;
 - (b) that they be prohibited from acquiring any securities permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
 - (c) that any exemptions contained in Ontario securities law do not apply to them permanently or for such period as is specified by the Tribunal, pursuant to paragraph 3 of subsection 127(1) of the Act;
 - (d) that they submit to a review of their practices and procedures and institute such changes as may be ordered by the Tribunal, pursuant to paragraph 4 of subsection 127(1) of the Act;
 - (e) that they be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
 - (f) that they be prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
 - (g) that they pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;

- (h) that they disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
- (i) that they pay the costs of the Commission investigation and the hearing, pursuant to section 127.1 of the Act; and
- (j) such other orders as the Tribunal considers appropriate in the public interest.

DATED this 27th day of September, 2023. **ONTARIO SECURITIES COMMISSION**
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