IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	**Civil Action No. 3:22-cv-2458**
	§	
JEREMY K. ROUNSVILLE,	§	
	§	**JURY TRIAL DEMANDED**
Defendant.	§	
	§	

COMPLAINT

Plaintiff Securities and Exchange Commission ("SEC" or "Commission"), for its Complaint against Defendant Jeremy K. Rounsville ("Rounsville" or "Defendant"), alleges as follows:

SUMMARY

1. From at least May 2018 through March 2019 (the "Relevant Period"), Rounsville was the public face and primary promoter of a crypto asset trading program (the "Trading Program") that purportedly used proprietary trading software to generate massive returns.

2. The Trading Program, purportedly developed by individuals residing outside the United States, was marketed under the name of Arbitraging.co ("Arbitraging"), and claimed to have developed an automated arbitrage trading "bot" (called the "aBOT") that identified pricing differences for crypto assets that traded on multiple trading platforms. The aBOT then automatically executed buys and sells of those assets, based on pre-programmed trade parameters, to profit instantly from the differences. Investors were promised that, by using the aBOT, the Trading Program would generate passive returns of up to 1% per day, which investors could then withdraw from their trading accounts at any time.

3. In reality, the Trading Program never operated as represented and, on information and belief, never engaged in crypto asset trading of any kind.

4. Investors invested millions of dollars in the Trading Program. By the end of the Relevant Period, the Trading Program had collapsed, and investors lost all of their money.

5. Throughout the Relevant Period, Rounsville interacted with investors and promoted the Trading Program. Although Rounsville did not create or manage the Trading Program, and did not receive the proceeds of the investments in the Trading Program, he held himself out as the "CEO" of Arbitraging and knew that investors believed he had authority over the Trading Program's operations. Rounsville also knew or was severely reckless in not knowing, and should have known, that the Trading Program did not engage in any crypto asset trading, but investors were never told this critical fact.

6. As a result of the conduct described herein, Rounsville violated, and unless restrained and enjoined will continue to violate, Sections 5 and 17(a)(1) and (3) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e and 77q(a)(1) and (3)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5(b)].

7. The SEC brings this action seeking: (a) permanent injunctive relief against violating the above sections of the federal securities laws; (b) a permanent injunction against participating in any offering of securities, including any crypto asset security (with an exception for purchasing or selling securities for Rounsville's own personal account); (c) a civil penalty; (d) a prohibition against Rounsville acting as an officer or director of any public company; and (e) all other equitable relief that the Court deems just and proper.

DEFENDANT

8. **Jeremy Kenneth Rounsville**, age 41, is a resident of Hunt County, Texas.

JURISDICTION AND VENUE

9. The Court has jurisdiction over this action under Sections 20(b) and 20(d) of the Securities Act [15 U.S.C. §§ 77t(b) and 77t(d)] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

10. The investments offered, purchased, and sold, as alleged herein, are investment contracts, and thus securities, under Section 2(a)(1) of the Securities Act [15 U.S.C. § 77b] and Section 3(a)(10) of the Exchange Act [15 U.S.C. §78c].

11. Defendant has, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, and/or of the means and instruments of transportation or communication in interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this Complaint.

12. Venue is proper in this District pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27(a) of the Exchange Act [15 U.S.C. § 78aa(a)] because certain of the transactions, acts, practices, and courses of conduct alleged in the Complaint occurred within this District. In addition, venue is proper in this District because the Defendant resides, conducts business, and/or maintains a principal place of business within the District.

FACTS

Rounsville's Role with Arbitraging

13. Upon information and belief, individuals residing outside of the United States created a website under the name of Arbitraging.co in January 2018. Arbitraging.co has no known corporate registration or other legal existence.

14. In approximately February 2018, Rounsville, while acting as an unpaid "moderator" on Arbitraging's Telegram channel (Telegram is a popular messaging app), was approached by an individual about serving as the public face of Arbitraging.

15. Rounsville was promised $1 million to serve as Arbitraging's CEO, although he ultimately did not receive this compensation.

16. By at least May 2018, the Arbitraging website listed "David Peterson" as the "CEO" of the Arbitraging operation.

17. Rounsville was David Peterson. This pseudonym was purportedly created by Arbitraging's developers prior to Rounsville's affiliation with Arbitraging, and Rounsville adopted the name and used it throughout the time he represented Arbitraging. He was presented as David Peterson on the Arbitraging website, on Telegram, and in YouTube videos and other appearances, and introduced himself as "David Peterson" to investors and potential investors.

18. In these appearances, Rounsville held himself out to the public as David Peterson and the leader and operational head of Arbitraging. As such, Rounsville promoted Arbitraging's investment options and described changes, updates, and new capabilities supposedly being implemented by Arbitraging's "developers."

19. Investors believed Rounsville was the operational head of Arbitraging and routinely sent Rounsville direct messages through Telegram and other messaging services to request information about, and assistance with, purchasing investment products and accessing their accounts and purported returns.

20. Rounsville did not graduate from high school, and has no educational or professional background in website design or coding. Prior to his affiliation with Arbitraging, Rounsville had

never held a senior position in any entity purportedly engaged in crypto asset trading, or demonstrated any expertise in crypto asset trading platform design or operation.

21. Rounsville's adoption of the David Peterson pseudonym denied investors the opportunity to learn these facts, which were material information that a reasonable investor would consider in making an investment decision.

22. Rounsville knew or was severely reckless in not knowing, and should have known, that using a pseudonym in his activities as Arbitraging's CEO was false and misleading.

Rounsville Offered and Sold Securities

23. Investments in the aBOT Trading Program were securities in the form of an investment contract.

24. Investments in the Trading Program were offered and sold in interstate commerce to the general public, including investors in the United States.

25. Rounsville engaged in the offer and sale of investments in the aBOT Trading Program through his role as Arbitraging's CEO, as well as through promotional statements made on social media and in communications with actual and potential investors.

26. At no point in the offer or sale of investments in the Trading Program did Rounsville or anyone at his direction or affiliated with Arbitraging or the Trading Program make any inquiries into investors' residency, financial situation, risk tolerance, or accredited investor status.

27. The offering of Trading Program investments was neither registered with the Commission, nor exempt from registration.

The aBOT Trading Program

28. The Arbitraging website began soliciting investors to participate in the Trading Program in approximately May 2018. Rounsville also directly promoted the Trading Program using the Arbitraging Telegram channel and through his appearances on YouTube and other venues.

29. Investors were promised returns of up to 1% per day from automated trading in crypto assets done through the Trading Program. Investors had no role in the operations or profit-generating activities of the Trading Program.

30. The Trading Program purported to use a proprietary bot, called the "aBOT," to identify pricing differences for crypto assets that traded on multiple trading platforms, and then to automatically execute trades to profit instantly from these differences. Investor funds were pooled for the purpose of trading using the aBOT.

31. To invest funds in the Trading Program, an investor created an account using the Arbitraging website. After creating an account, the investor was required to fund its account by transferring Ether ("ETH") (the token used on the Ethereum blockchain) to digital wallets designated by Arbitraging. After funding its account, the investor would purportedly be able to use ETH to purchase Arbitraging's proprietary tokens, called "ARBs." After purchasing ARBs, the investor would designate the value of ARBs to invest in the aBOT Trading Program.

32. After investors created and funded their accounts, investors could log in to personalized, password-protected "dashboards."

33. Each user's dashboard showed the purported current dollar value of his or her holdings, including the daily profits supposedly earned from trading and the daily return percentage. The dashboard also showed purportedly recent aBOT trades, a historical return chart, and the current value of the ARB in both dollars and ETH.

34. Investors could purportedly withdraw funds from their accounts by using the dashboard to sell ARBs for ETH, and then transferring ETH to an external digital wallet to convert to cash.

The Trading Program Promised High Returns and Easy Access to Funds.

35. During the Relevant Period, the Arbitraging website represented that the aBOT Trading Program would automatically generate profits and that investors could withdraw their profits immediately.

36. For example, a "White Paper" posted on the website stated: "You can invest your ARB tokens into aBOT . . . via our decentralized platform exclusively from the Arbitraging dashboard. This aBOT will automatically find and trade arbitrage opportunities where you can make a profit instantly. You will receive your profits daily directly to your external wallet. There is NO LOCK IN PERIOD so you are free to stop using the aBOT whenever you decide. You will only be paid a profit from the revenue generated by the aBOT, this makes ARB a long term sustainable project profit producing platform."

37. The Arbitraging website further stated: "The philosophy behind the Arbitrage software is to automatically profit from temporary price differences between exchanges while being market-neutral. . . . [T]he automatic, or abot utilizes key trade parameters set for the adopted cryptocurrency with profits delivered in ARB directly to compatible . . . wallets."

38. It also promised investors the unrestricted ability to redeem their aBOT funds: "When using aBOT, your daily arbitrage trade profits will be paid to you in ARB. You will be able to unlock your capital deposit of ARB back in the form of ARB at the current market value at any time."

39. The Arbitraging website during the Relevant Period also stated: "We have built a highly advanced arbitrage bot that is capable of working 24 hours a day creating passive income, doing

all the hard work of completing the arbitrage process for you. . . . The margins produced by the aBOT since public inception have averaged around 0.7% per day. aBOT has no locks, meaning all users are free to stop their aBOT and remove their trading value anytime they want."

40. The Arbitraging website further claimed to offer users unrestricted ("NO LOCKS") access to their funds, as well as the ability to redeem ARBs at the current market value and withdraw the proceeds from the platform.

41. On information and belief, Rounsville did not create the website or its content. However, throughout the Relevant Period, Rounsville was the titular head, primary promoter, and spokesperson for the Arbitraging operation. As such, he was ultimately responsible for the content and the accuracy of the Arbitraging website, including the information about the aBOT Trading Program presented on it.

42. Rounsville also actively promoted the aBOT Trading Program through product announcements and other statements on the Arbitraging Telegram channel, as well as during his appearances on YouTube, and in communications with potential investors. In these promotional activities, Rounsville repeated the same or similar statements as those presented on the Arbitraging website.

43. Rounsville also represented Arbitraging during in-person appearances, including at a November 1, 2018 Las Vegas event known as "Token Tank." During this appearance, Rounsville was introduced as Arbitraging's CEO, described the aBOT Trading Program opportunity to his audience, and met with individuals who expressed interest in the program.

44. The representations regarding the aBOT Trading Program's operation and investors' access to funds were material information that a reasonable investor would consider in making an investment decision.

Representations About the Trading Program Were False.

45. The representations made to investors about the trading operations of the aBOT Trading Program were false. On information and belief, the aBOT Trading Program did not operate as promised and never engaged in any crypto asset trades, and investors' Arbitraging dashboards showed fictitious returns from purported activities of the aBOT Trading Program.

46. Promises that users could access and withdraw their funds at any time were also false. In fact, since the aBOT did not execute trades, investors' ability to withdraw funds from the program depended on the availability of funds from new investors. Investors were never told that withdrawals depended on the flow of new investor money.

47. Rounsville knew or was severely reckless in not knowing, and should have known, that the Trading Program did not operate as represented. He also knew or was severely reckless in not knowing, and should have known that investors' ability to withdraw funds depended on the availability of new investor funds.

48. Rounsville knew or was severely reckless in not knowing, and should have known, that the representations regarding the aBOT Trading Program's operation and investors' access to funds were false and misleading.

Collapse of the Trading Program and Lulling of Investors

49. By December 2018, investors could no longer access the funds identified in their account dashboards in the Trading Program. Investors lost millions of dollars in principal and purported profits they believed they had earned.

50. During and following the collapse of the Trading Program, Rounsville and the operators of the Trading Program continued to mislead investors about the status of the program and investors' future ability to access and withdraw funds.

51. In early January 2019, after investors questioned the legitimacy of Arbitraging and the Trading Program, the Arbitraging Telegram channel posted a forged British Virgin Islands business license. The British Virgin Islands Financial Services Commission later publicly disavowed the license in a post on its official website.

52. Rounsville and others associated with Arbitraging also made repeated announcements in early 2019 about plans to continue operating the aBOT and facilitating investor redemptions.

53. The information about Arbitraging's possession of a British Virgin Islands business license, and plans to continue operating the aBOT and facilitating investor redemptions was material information that a reasonable investor would consider in making an investment decision.

54. Rounsville knew or was severely reckless in not knowing, and should have known, that these statements about Arbitraging's possession of a British Virgin Islands business license, and plans to continue operating the aBOT and facilitating investor redemptions were false and misleading.

55. By March 2019, Rounsville posted a video on Telegram disclosing his true identity to investors and announcing that he was stepping down as Arbitraging's CEO.

56. In mid-2019, investors were informed that Arbitraging would change its name, replace the ARB with a new token, and designate a new CEO. However, after approximately September 2019, investors received no additional information from Arbitraging's operators.

FIRST CLAIM FOR RELIEF

Fraud in Connection with the Purchase or Sale of Securities
Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]
and Rule 10b-5 Thereunder [17 C.F.R. § 240.10b-5]

57. Paragraphs 1 through 56 are realleged and incorporated by reference as though fully set forth herein.

58. By engaging in the conduct described above, Defendant, directly or indirectly, in connection with the purchase or sale of a security, and by the use of any means or instrumentality of interstate commerce, or the mails, knowingly or severely recklessly: (a) employed a device, scheme, or artifice to defraud; (b) made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit upon any person.

59. By engaging in the conduct described above, Defendant has violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

SECOND CLAIM FOR RELIEF

Fraud in the Offer or Sale of Securities
Violations of Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1) and (3)]

60. Paragraphs 1 through 56 are realleged and incorporated by reference as though fully set forth herein.

61. By engaging in the conduct described above, Defendant, directly or indirectly, in the offer or sale of a security, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, acting with the requisite state of mind: (a) employed a device, scheme, or artifice to defraud; and/or (b) engaged in a transaction,

practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

62. By engaging in the conduct described above, Defendant has violated, and unless restrained and enjoined will continue to violate, Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1) and (3)].

THIRD CLAIM FOR RELIEF

Unregistered Offer and Sale of Securities
Violations of Sections 5(a) and 5(c) of the Securities Act
[15 U.S.C. §§ 77e(a) & 77e(c)]

63. Paragraphs 1 through 56 are realleged and incorporated by reference as though fully set forth herein.

64. By engaging in the conduct described above, Defendant, directly or indirectly: (a) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell a security, through the use or medium of any prospectus or otherwise, without a registration statement in effect as to such security; (b) carried or caused to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale, without a registration statement in effect as to such security; and/or (c) made use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, any security as to which no registration statement had been filed.

65. By engaging in the conduct described above, Defendant violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) & 77e(c)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

1) Make findings that Defendant committed the violations alleged in the Complaint;

2) Permanently enjoin Defendant from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. §§ 77e(a), 77e(c), and 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

3) Permanently enjoin Defendant from participating, directly or indirectly, in any offering of securities, including any crypto asset security; provided, however, that such injunction shall not prevent Defendant from purchasing or selling securities for his own personal account;

4) Order Defendant to pay a civil penalty under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and/or Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];

5) Order that Defendant be barred, pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l], or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]; and

6) Grant such other and further relief as the Court may deem just, equitable, and proper.

DEMAND FOR A JURY TRIAL

The SEC demands a trial by jury on all claims so triable.

Dated: November 3, 2022.

Respectfully submitted,

s/ B. David Fraser
B. David Fraser (Texas Bar No. 24012654)
Securities and Exchange Commission
Fort Worth Regional Office
801 Cherry Street, Suite 1900
Fort Worth, TX 76102
(817) 978-1409
(817) 978-4927 (facsimile)
fraserb@sec.gov

Nicholas P. Heinke (*pro hac* application forthcoming)
Securities and Exchange Commission
Denver Regional Office
1961 Stout Street, Suite 1700
Denver, CO 80294
(303) 844-1071
heinken@sec.gov