

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA	)	Criminal No.	24cr10312 AK
)		
v.	)	Violation:	
)		
LIU ZHOU,	)	<u>Count One:</u>	
a/k/a “David Zhou” or “DZ,”	)	Conspiracy to Commit	
	)	Market Manipulation and Wire Fraud	
Defendant	)	(18 U.S.C. § 371)	
)		
	)	<u>Forfeiture Allegation:</u>	
	)	(18 U.S.C. § 981(a)(1)(C) and	
	)	28 U.S.C. § 2461)	
)		

INFORMATION

At all times relevant to this Information:

General Allegations

1. MyTrade was a financial services business created in or about 2021 and registered in the British Virgin Islands. MyTrade purported to offer several cryptocurrency services, including a “market maker” tool called MyTrade MM, which MyTrade offered on a public website (<https://mm.mytrade.org>). MyTrade received client payments for MyTrade MM using several cryptocurrency wallets, including the wallet address ending in 7aafc (the “MyTrade Wallet”).
2. Defendant LIU ZHOU, also known as “David Zhou” or “DZ” (“ZHOU”), lived in China and Canada and was the founder and chief promoter of MyTrade and MyTrade MM.
3. Co-conspirator 1 (“CC-1”) lived in China and was a promoter of MyTrade and MyTrade MM.
4. Co-conspirator 2 (“CC-2”) lived in Canada and worked for LBank, which was a cryptocurrency exchange that operated in several countries, including the United States and Canada.

5. The NexFundAI Token was a cryptocurrency token created at the direction of law enforcement. NexFundAI operated on the Ethereum blockchain and was a security.

Background

6. Virtual currency is a digital asset or digital representation of value that can be electronically traded and exchanged online. Virtual currency is not backed or insured by a central bank and its value may or may not be tied to or secured by a fixed asset. Similar to many fiat currencies, many virtual currencies have a market-based value that goes up or down based on various factors.

7. Cryptocurrency is a subset of virtual currency that utilizes blockchain technology. A blockchain is a distributed ledger, recorded on a decentralized network, containing an immutable and historical record of transactions made with the cryptocurrency. Each cryptocurrency has its own coding (or “smart contract”) that governs how it operates.

8. Ethereum is a well-known blockchain that can be used to create different cryptocurrencies. Ether (“ETH”) is the primary Ethereum-based cryptocurrency. Many other Ethereum-based cryptocurrencies utilize the Ethereum blockchain, which are referred to in the cryptocurrency community as “tokens.”

9. Cryptocurrency can be stored in a cryptocurrency “wallet” located, for example, on an electronic storage device, on a cloud-based server, or on a cryptocurrency exchange. Cryptocurrency transactions can be made between wallets.

10. Cryptocurrency “exchanges” are digital marketplaces where individuals can purchase or trade cryptocurrencies. For example, during the relevant time period, LBank, BitMart, and Uniswap were cryptocurrency exchanges that were available to the public, including to

individuals in the United States. Depending on an exchange’s level of control over its listings and trading, an exchange is typically referred to either as “decentralized” (commonly abbreviated as “DEX”) or “centralized” (commonly abbreviated as “CEX”).

11. A “market maker” in the cryptocurrency industry is a company that offers services to cryptocurrency companies. Lawful “market maker” services include, for example, the active monitoring of cryptocurrency trading and price fluctuations, trading in a company’s cryptocurrency to capitalize on price fluctuations, and related consulting services.

12. “Wash trading” occurs when a single trader, or a number of traders working in coordination, buy and sell the same asset repeatedly in order to mislead the market by artificially inflating the trading volume or price of the asset via trades that have no commercial purpose. Wash trading is a form of fraud intended to stimulate interest in an asset, and is specifically prohibited by the securities laws, including Title 15, United States Code, Sections 78i(a)(2) and 78ff(a).

Overview of the Conspiracy

13. Beginning in or about 2021 and continuing through in or about October 2024, ZHOU conspired with CC-1, CC-2, and others known and unknown to the U.S. Attorney, to develop, promote, and sell MyTrade MM as a tool to mislead the cryptocurrency market by artificially inflating the price and trading volume of cryptocurrencies through wash trading.

Objects and Purpose of the Conspiracy

14. The objects of the conspiracy were to commit market manipulation and wire fraud. The principal purpose of the conspiracy was for the conspirators to enrich themselves while concealing their actions from regulators and law enforcement.

Manner and Means of the Conspiracy

15. Among the manner and means by which ZHOU, CC-1, CC-2, and others known and unknown to the U.S. Attorney carried out the conspiracy were the following:

- a. Advertising on MyTrade MM's public website and other social media platforms;
- b. Selling the MyTrade MM tool and related services to clients;
- c. Enabling clients to specify the amount of wash trading MyTrade MM would provide through MyTrade MM's "Volume Support" software;
- d. Causing autonomous computer programs known as "bots" to engage in wash trading for clients in order to artificially increase the price and trading volume of various cryptocurrencies, thereby inducing other investors to buy those cryptocurrencies; and
- e. Partnering with cryptocurrency exchanges to offer MyTrade MM for use on those exchanges.

Overt Acts in Furtherance of the Conspiracy

16. On or about various dates between in or about 2021 and in or about October 2024, ZHOU, CC-1, CC-2, and others known and unknown to the U.S. Attorney committed and caused to be committed the following overt acts, among others, in furtherance of the conspiracy:

Promotion of MyTrade MM

17. In or about July 2022, ZHOU caused MyTrade’s public page on the social media application known as X (formerly known as Twitter) to announce the launch of MyTrade MM and explain, “All projects can use these tools to market make their own funds with ease and at low cost!”

18. In or about the same month, ZHOU posted on MyTrade’s X page: “MyTrade Market Making SaaS [software as a service] Tool is available on #BitMart to provide better volume support, liquidity support, and instant notification!”

19. In or about September 2022, ZHOU wrote on MyTrade’s blog, on the online publishing platform known as Medium, that MyTrade had “[p]artnered with Bibox [a cryptocurrency exchange] who will offer the MyTrade MM SaaS Tools to their projects in need of market making.”

20. In or about January 2023, ZHOU posted on MyTrade’s X page: “MyTrade MM is excited to announce our latest strategic partner @BTCEX_exchange. MyTrade Market Making SaaS tool is available on #BTCEX to provide their listed projects with better volume support and liquidity support.”

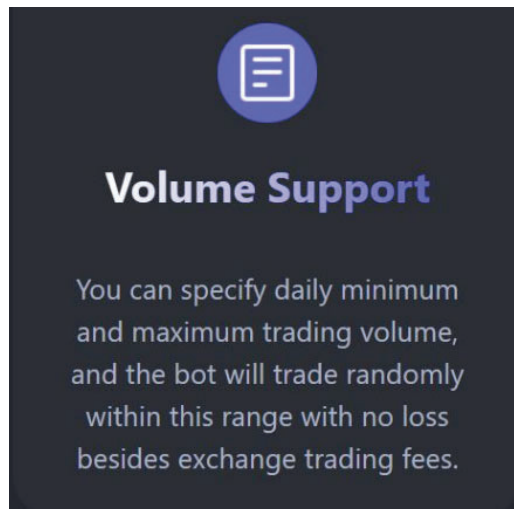
21. In or about August 2023, ZHOU and CC-1 created an online video that was available only to those who were sent a link to the video and was not available through searches on public websites or public search engines. In the video, entitled “MyTrade MM – Intro for Partners,” CC-1 explained how MyTrade MM’s “volume support” tool allowed clients to “designate a minimum trading volume and maximum trading volume, and then our bot will make natural, real-looking wash trades and deliver you a trading volume within that range every day.”

CC-1 then demonstrated the volume support bot and the orders that the bot generated, and commented, “so they all look like real orders, and they’ll just trade throughout the day.”

22. In or about January 2024, ZHOU wrote on Medium: “MyTrade Market Maker has served over 50 clients in 2023, supported over 20 CEX and DEX, achieving the highest client retention rate among all market makers. . . . MyTrade MM aims for a tier1 market maker spot in the next 2 years.”

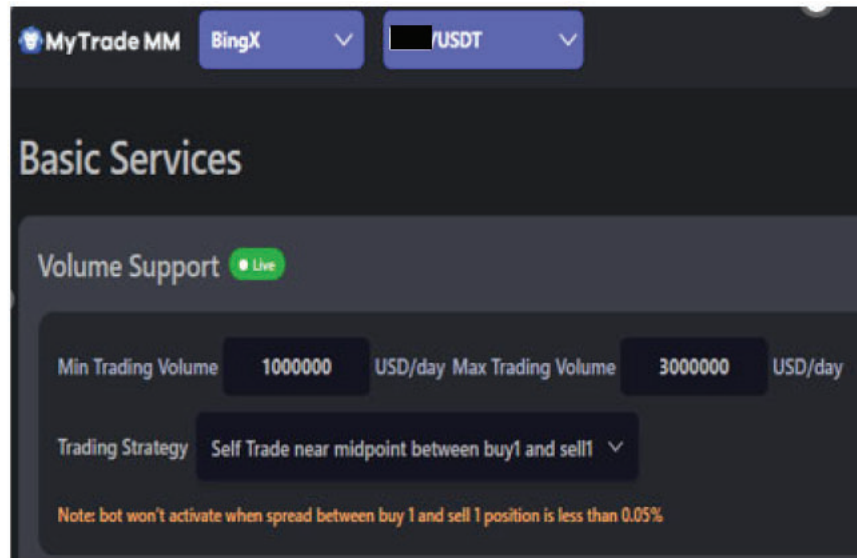
23. In or about June 2024, ZHOU posted on MyTrade’s X page: “MyTrade MM has achieved the first major milestone of serving more than 100 web3 projects. MyTrade MM is becoming the last market maker of all of our clients, lots of projects switch in, but no client is switching out to another MM.”

24. In or about July 2024, ZHOU caused MyTrade MM’s website to display the following image and description of MyTrade MM’s “Volume Support” service:



25. Also in or about July 2024, ZHOU caused MyTrade MM’s website to provide clients a private dashboard allowing clients to set a range of wash trades that MyTrade MM’s bots would run on the selected cryptocurrency exchange. The dashboard allowed clients to set the

amount of wash trades (described as a “Self Trade”) in U.S. dollars (“USD”). The MyTrade MM bots then generated the fraudulent wash trades between the client’s cryptocurrency and another cryptocurrency called Tether (“USDT”). The following is a screenshot of the MyTrade MM dashboard for one client cryptocurrency (the ticker symbol of the client cryptocurrency has been redacted with a black box):



Agreement to Wash Trade the NexFundAI Token

26. On or about August 20, 2024, CC-2 spoke by videoconference with purported promoters of the NexFundAI Token. CC-2 explained how companies with cryptocurrencies listed on LBank used third-party market makers to manage their cryptocurrencies’ trading volumes. CC-2 then described a “tool” with a “dashboard” that allowed companies to “manage all aspects of MM” and to “add an additional 100k-200k of volume per day” using “bots.” CC-2 identified the tool as “MyTrade,” stated that he helped develop the tool, and described how the tool was a cost-effective way to create additional trading volume for a fee of \$500 per month.

27. On or about September 3, 2024, CC-2 introduced ZHOU to the purported NexFundAI promoters through the encrypted messaging service Telegram.

28. On or about that same day, ZHOU sent Telegram messages to the purported NexFundAI promoters describing MyTrade MM as “the fastest growing MM globally” with “over 100 clients this year.”

29. On or about September 10, 2024, ZHOU met by videoconference with the purported NexFundAI promoters. During the call, ZHOU described himself as the “mastermind” of MyTrade MM and explained the following, in sum and substance:

- a. MyTrade MM comprises a “volume bot,” a “liquidity bot,” and a “cash-out bot.” The volume bot “does self-trades—a buy and a sell in the same second.”
- b. On decentralized exchanges, MyTrade MM uses multiple bots with different addresses that trade against the cryptocurrency’s liquidity pool. On centralized exchanges, MyTrade MM uses those bots to “buy and sell on the same second on the same amounts—that’s self trading.”
- c. Clients use the volume bot for various goals, including to execute “pump and dumps,” to generate trading volumes large enough that cryptocurrency exchanges are willing to waive listing fees, to “draw a continuous price chart,” and to “record a transaction on chain and show some liquidity” and “to have some activity.”
- d. Wash trades can be used “to solve the cold start problem.” For cryptocurrencies in their first month of trading, companies can use wash trades to “generate a few trades here and there just to set the benchmark.”

- e. ZHOU has been trying to educate cryptocurrency founders and exchange employees about how MyTrade MM is a superior market making platform to “CLS” and “Gotbit” because those market makers “keep clients in the dark” and “control the pump and dump,” which means “they can do inside trading easily.”
- f. Each day, MyTrade MM receives at least one or two new cryptocurrency clients that are leaving “CLS” and “Gotbit.”
- g. Two exchanges—BitMart and XT—have made MyTrade MM their exclusive market making partner and send projects to MyTrade MM.
- h. ZHOU offers advisory services for an additional fee of \$2,000 per month.

30. During that same videoconference, ZHOU provided specific examples of current MyTrade MM clients that were using MyTrade MM to conduct wash trades with their cryptocurrencies, including reports of the trading volumes that MyTrade MM generated for those cryptocurrencies. For example, ZHOU provided the following images, among others (the ticker symbol of the client cryptocurrency has been redacted with a black box):



Generated Volume [REDACTED] / USDT :

Last 7 Days:

23-08-2024, Volume: \$1119.30
24-08-2024, Volume: \$991.32
25-08-2024, Volume: \$981.55
26-08-2024, Volume: \$1093.90
27-08-2024, Volume: \$1467.50
28-08-2024, Volume: \$1487.83
29-08-2024, Volume: \$1475.38

Per Month:

February: \$229088.83
March: \$423432.96
April: \$369812.47
May: \$359114.33
June: \$309459.12
July: \$140021.31
August: \$43039.41

31. On or about September 16, 2024, ZHOU and the purported NexFundAI promoters spoke again via videoconference. During that meeting, ZHOU explained that the purpose of using MyTrade MM on a decentralized exchange was “to show that there is continuous trading activity every hour on Ethereum . . . instead of nobody trading for the whole day.” ZHOU also described strategies for “pumping” the price of the NexFundAI Token with MyTrade MM on both decentralized and centralized exchanges.

32. On or about September 20, 2024, ZHOU and the purported NexFundAI promoters had a third videoconference. During that meeting, ZHOU stated, in sum and substance, the following:

- a. ZHOU and MyTrade provide advice on how cryptocurrency founders can “cash out.” The “entire objective on the secondary markets” is to find “other buyers from the community, people you don’t know about or don’t care about,” who will buy the tokens.
- b. ZHOU and MyTrade also provide advice on executing “pump and dumps” in combination with marketing efforts that “bring traders in” so that cryptocurrency founders can profit.
- c. ZHOU and MyTrade can help create trading volume that “looks like really nice roller coaster ride, and that’s where sometimes people jump in . . . but we have to make them lose money in order to make profit and get the listing fee back.”
- d. MyTrade “train[s] you in the tactics [of] how to do pump and dumps, and you can do it in house.”

e. MyTrade can help plan pump and dumps around a project's announcements of good news, such that "the moment you announce, we do the pump."

f. A user of MyTrade MM can finish executing a pump within five to ten minutes.

33. On that same videoconference, ZHOU agreed to provide the MyTrade MM tool to NexFundAI Token on the LBank exchange for a fee.

34. On or about September 23, 2024, ZHOU agreed to an in-person meeting to discuss the market manipulation plan with representatives of NexFundAI and requested that NexFundAI send an upfront payment of \$2,000 to the MyTrade Wallet.

35. On or about October 2, 2024, MyTrade MM's bots made millions of dollars' worth of wash trades for approximately 60 clients, until the bots were deactivated at the direction of law enforcement.

COUNT ONE

Conspiracy to Commit Market Manipulation and Wire Fraud
(18 U.S.C. § 371)

The U.S. Attorney charges:

36. The U.S. Attorney re-alleges and incorporates by reference paragraphs 1 through 35 of this Information.

37. Beginning in or about 2021 and continuing through in or about October 2024, in the District of Massachusetts and elsewhere, the defendant,

LIU ZHOU,
a/k/a “David Zhou” or “DZ,”

conspired with CC-1, CC-2, and others known and unknown to the U.S. Attorney to:

- a. commit market manipulation, that is, knowingly and willfully, by the use of the mails and any means and instrumentality of interstate commerce, directly and indirectly to effect a series of transactions in securities registered on a national securities exchange, and securities not so registered, to create actual and apparent active trading in such securities, and to raise and depress the price of such securities, for the purpose of inducing the purchase and sale of such securities by others, in violation of Title 15, United States Code, Sections 78i(a)(2) and 78ff(a); and
- b. commit wire fraud, that is, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations and promises, to transmit and cause to be transmitted, by means of wire communications in interstate and foreign commerce,

writings, signs, signals, pictures and sounds, for the purpose of executing the scheme to defraud, in violation of Title 18, United States Code, Section 1343.

All in violation of Title 18, United States Code, Section 371.

FORFEITURE ALLEGATION
(18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c))

38. Upon conviction the offense in violation of Title 18, United States Code, Section 371, relating to conspiracy to commit market manipulation and wire fraud, as set forth in Count One, the defendant,

LIU ZHOU,
a/k/a “David Zhou” or “DZ,”

shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the offenses.

39. If any of the property described in Paragraph 38, above, as being forfeitable pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), as a result of any act or omission of the defendant –

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty;

it is the intention of the United States, pursuant to Title 28, United States Code, Section 2461(c), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the property described in Paragraph 38 above.

All pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c).

JOSHUA S. LEVY
ACTING UNITED STATES ATTORNEY

By: *Christopher J. Markham*
CHRISTOPHER J. MARKHAM
DAVID M. HOLCOMB
ASSISTANT U.S. ATTORNEYS
DISTRICT OF MASSACHUSETTS