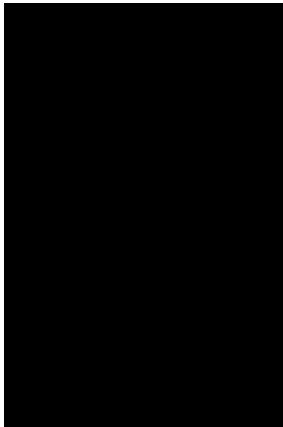


SPECIFIC INSTANCE FILED AGAINST
“HUOBI GROUP”
HUOBI GLOBAL LIMITED (SEYCHELLES)

In Respect of Chapters VII & XI of the OECD Guidelines
BEFORE THE
JAPANESE OECD NATIONAL CONTACT POINT

Submitted by The Complainants:

Huobi Ad Hoc Consumers Group (Individuals):



Seychelles Labour Union (Organization)

through their Legal Representative and Contact Person:

Dr. Jonathan Levy
Attorney and Solicitor
Unit 7810, PO Box 6945,
London, W1A 6US
United Kingdom
info@jlevy.co
Tel +44 20 8144 2479
Fax +1 202 478 1970

Summary

This is a special instance complaint alleging violations of the OECD Guidelines for Multi National Enterprises (2011) made by the Seychelles Labour Union and the Huobi Ad Hoc Consumers Group: “The Complainants” consisting of a labor union and 11 individual consumers made against “The Respondent” Huobi Group of companies controlled by Huobi Group Limited which includes its local subsidiary Huobi Japan Co., Ltd. (Huobi Japan) hereafter “Huobi.”

The Huobi Ad Hoc Consumers Group consists of 11 individuals who have suffered losses totaling at least ¥ 2147595000 (US\$15 million). The losses are illustrative of the larger consumer issues and are relative estimates given the extreme volatility of cryptocurrency prices. Actual losses may be more or less at any given point in time.

The Seychelles Labour Union was registered as a Trade Union Organization in the Seychelles in 2017.

These are a collective consumer complaint under Chapter VII of the OECD Guidelines for Multi National Enterprises against Huobi Global Limited (Seychelles) and under Chapter XI against Huobi Global limited (Seychelles) for its egregious use of the International Business Company (Seychelles) structure to avoid taxation, consumer remedies, transparency, accountability and regulation.

According to Huobi Group, it is licensed for digital asset services in many countries and regions across the globe. It has established regulated entities in some countries and regions, including Japan, South Korea, Gibraltar, and more. With the principle of globalization, professionalism, compliance, and diversification, Huobi Group is dedicated to providing safe and trustworthy Internet of Value (IoV) services to its tens of millions of users in more than 100 countries and regions. (<https://www.huobigroup.com/en-us/about>)

In reality the bulk of Huobi transactions are unregulated or subject to very light regulation and the targets are unsophisticated consumers in developing countries like China.

Huobi Group has a decentralized corporate structure with many subsidiaries and with an international business company holding company in the Seychelles as the nominal corporate headquarters but with no physical footprint and just a registered agent in Mahe according to the Seychelles Police, Financial Crimes Unit. The control persons of Huobi Group are Leon Li and Du Jun, its founders. Huobi Group maintains a regional headquarters in Japan.

The Respondent's Subsidiary Company in Japan is:

Huobi Japan Co., Ltd. (Huobi Japan)
6-2-31 Roppongi, Minato Ward, Tokyo 106-0032
<https://www.huobi.co.jp/ja-jp/profile>

The Respondent Company in the Republic of the Seychelles is:

Huobi Global Limited
c/o A.C. MANAGEMENT LIMITED
Suite 10, 3rd Floor, La Ciotat, Mont Fleuri
Mahe, Seychelles

Huobi Global Limited
Suite 202, Second Floor, Eden Plaza, Eden Island
Mahe, Seychelles

Tel. 248 4325868
regulatory@huobi.com

List of Abbreviations and Definitions:

Bitcoin – refers to the leading cryptocurrency “Bitcoin” abbreviated as “BTC” which is lawful to possess in China, Japan, and most OECD countries. Bitcoin is a type of cryptocurrency, circulated over the Internet as a value that substitutes for currency. Bitcoin is not issued by any government, bank, or company, but rather is generated and controlled through computer software operating via a decentralized, peer-to-peer network. Bitcoin is just one of many types of cryptocurrencies and like other cryptocurrencies is particularly prone to loss or theft due to its inherent properties including the absolute inability to cancel or recall transactions even when the result of criminal fraud, theft, or mistake.

Crypto Asset – as used here generally includes cryptocurrency and derivatives of cryptocurrency.

Cryptocurrency or “crypto” – refers in general to more than ten thousand various cryptocurrencies or crypto assets such as Bitcoin (BTC) and Ethereum (ETH).¹ Cryptocurrency is a type of virtual currency that utilizes cryptography to secure transactions that are digitally recorded on a distributed ledger, such as a blockchain. Units of cryptocurrency are generally referred to as coins or tokens. Distributed ledger technology uses independent digital systems to record, share, and synchronize transactions, the details of which are recorded in multiple places at the same time with no central data store or administration functionality.

Developing Country – refers to the OECD list of developing countries which includes China: <https://www.gov.uk/government/publications/countries-defined-as-developing-by-the-oecd/countries-defined-as-developing-by-the-oecd>

Flash Crash - refers to an event in the electronic cryptocurrency markets wherein withdrawal orders rapidly amplify price declines. The result of a flash crash appears to be a rapid sell-off of securities that can happen over a few minutes, resulting in dramatic declines.

Huobi Ad Hoc Consumer Group – refers to the 11 individuals from China, Singapore and France who as consumer advocates have lodged complaints with Huobi Global and its subsidiaries in unsuccessful attempts to resolve their issues and in doing so have discovered a pattern and culture of anti-consumerism in violation of the MNE Guidelines.

International Business Company or IBC – refers to companies established under the Seychelles International Business Companies Act, 2016 (amended 2020).

Leverage – allows a trader to increase their trading capital by a factor of 100x or more however in the case of 100x, a decrease in price of 1% will result in a liquidation of the position.

Liquidation - forced liquidation occurs when the latest price of a crypto asset reaches the forced liquidation price.

Margin Ratio - Margin ratio is an indicator used to weigh the users’ assets risk. When margin ratio is less than or equal to 0%, liquidation will be triggered.

Margin Trading – refers to the practice allowing a Huobi user to borrow funds to perform leveraged trading, which means they can open a position that is larger than the balance of their account. Also known as “Contract Trading.”

¹ CoinMarketCap, All Cryptocurrencies, <https://coinmarketcap.com/all/views/all/>

Network Failure – refers to a situation when a web services network or cell network fails through no fault of the consumer causing orders to go unrecorded.

Stop loss-limit order - refers to the pre-set stop (trigger) price and limit price and amount after trigger. When the latest price reaches the trigger price, the order will be placed according to the pre-set price to help users maintain profits or reduce losses.

Swap - refers to exchanging one cryptocurrency for the equivalent value of another cryptocurrency using a cryptocurrency exchange.

System Outage – refers to a situation, usually during a period of crypto asset price volatility, when too many traders attempt to access a cryptocurrency exchange platform at one time causing a system outage and as a result unexpected, forced liquidations and therefore huge losses usually occur.

Introduction:

Everyday billions of dollars in crypto assets are traded, sold, staked, loaned or transferred via web portals, apps, and trading platforms owned and operated by Huobi.

Huobi operates in over 100 countries including many OECD members. It maintains operational and regional headquarters in OECD members Japan and Korea.

Huobi consistently ranks among the top ten largest cryptocurrency trading platforms in the world with daily volume trading volume (spot and derivative) of at least \$3 billion or more.

Much of Huobi's trading activity is unregulated as opposed to traditional financial services companies which are heavily regulated. For example, the parent company based in the Republic of the Seychelles is an international business company with no license to provide financial services yet Huobi's Terms of Agreement state that the laws and venue of the Seychelles apply to all transactions and resolution of disputes.

Huobi's financial consumer products are all based on highly volatile and largely unregulated cryptocurrencies and their derivatives some of which with leverage of 100 times or more, meaning that a price change as little as 1% could trigger a forced liquidation.

Huobi's consumer trading platforms and apps suffer from periodic outages, crashes, and network outages due to no fault of the consumer.

The crypto asset markets are prone to flash crashes and extreme volatility in which failure to execute trades with timeliness and accuracy can result in entire consumer positions being liquidated or severely diminished in value.

Huobi therefore is a significant multinational financial services company by dollar volume with most of its 10+ million clientele being individual consumers, many residing in developing countries.

Trusted Choice for Millions of Users

Dedicated local service centers in numerous regions and countries around the world, creating a unified blockchain ecosystem for a variety of business lines



10+ million

Users' first choice



200+

Regional service centers

<https://www.huobi.com/en-us/>

Allegations of Anti-Consumerism

Huobi presents itself as a trusted trading partner to consumers, many of whom are unsophisticated consumers from developing nations such as China.

Huobi acquires and retains customers through the use of promotions, incentives, and prizes which is common in the consumer financial services industry as a whole.



<https://www.huobi.com/en-us/>

Huobi offers consumers of a wide variety of crypto asset products as investments, for example over 500 different crypto assets.

Huobi therefore is a MNE with consumers in numerous countries.

Leading Crypto Trading Platform

A wide array of crypto trading and management services to satisfy diverse trading needs



500+

Quality cryptocurrencies



\$3,619,081,472

24h trading volume

<https://www.huobi.com/en-us/>

Huobi services include spot trading and margin and futures trading.

The Consumer Claims

Claimant Number One (Singapore)

In October 2021, Claimant Number One suffered losses of \$2,609,778.50 while attempting to trade Doge Coin on margin using the Huobi platform. Due to platform failure owing to a technical issue on Huobi's end, Claimant was unable to access her account and suffered a forced liquidation at an unfavorable rate of exchange.

Claimant attempted to redress the issue with Huobi via email and chat box. Claimant received negative and robotic responses. Claimant then escalated the issue to the Huobi legal department with no positive response.

In July 2022, Claimant suffered a similar event on the Huobi platform which resulted in a forced liquidation of her Ethereum position.

Claimant became a vocal critic of Huobi after her initial complaint was unresolved. Claimant posted a website and Huobi (Seychelles) filed a lawsuit to silence her and take down her websites. After which time Huobi nonetheless offered claimant further inducements to continue trading.

Claimant Number Two (China)

In March 2020, Claimant suffered a loss of \$210,000 due to a forced liquidation of their Tron cryptocurrency position during a flash crash event. Huobi agreed to reimburse 4.1 million Tron coins to claimant but as of today, claimant has received only 1.9 Tron.

Claimant Number Three (China)

In April 2019 and April 2021 claimant suffered total losses in various cryptocurrencies of over \$6 million. First, claimant's Huobi app repeatedly failed to execute trades or log in causing losses. On the advice of Huobi staff, claimant transferred his remaining holdings to a form of guided trading which allowed Huobi staff or affiliates to control and trade his account. This resulted in inexplicable massive losses in swaps and futures trading. Claimant's complaints to Huobi have gone unaddressed.

Claimant Number Four (China)

Between November 2017 and July 2021 Claimant lost more than \$300,000 in forced liquidations on the Huobi trading platform due to platform or network failure that were not the fault of claimant. In September 2021, the Chinese authorities increasingly banned risky cryptocurrency trading activities though possession of cryptocurrency was not banned.² In November 2021, claimant went to the Beijing office of Huobi and was promised a significant refund by the end of 2021. Huobi however never paid the refund due.

Claimant Number Five (China)

Between July 2018 and May 2021 claimant lost more than \$141,000 while trading cryptocurrency contract on the Huobi platform. During times of trading volatility, the Huobi platform became unresponsive and this resulted in losses. When claimant complained, his complaints were deflected by Huobi customer service personnel.

Claimant Number Six (China)

Between 2017-2019 claimant traded cryptocurrency with Huobi. A system outage resulted in a forced liquidation causing a loss of over 42 Bitcoins worth more than \$1 million.

Claimant Number Seven (China)

Between December 2017 and July 2021 claimant reports losses of \$524,000 due to forced liquidations of contract positions with 50 times leverage at wrong percentage points and/or server failures resulting in early liquidations. When claimant complained repeatedly his complaints went unanswered. Claimant reported to Huobi that his level of education did not allow him to understand the complex rules involved in leverage trading, nonetheless Huobi personnel encouraged him to continue to trade complex leveraged products with inducements such as prizes of valuable cryptocurrency and automobile prizes. A practice Huobi continues to this day.

Claimant Number Eight (China)

Between September 2018 and February 2021, claimant was a customer of Huobi and lost 45,000 USDT worth \$45,000. Due to a system outage, claimant could not access their Huobi account and suffered a forced liquidation. Claimant tried to resolve this with Huobi customer service which however disclaimed responsibility.

Claimant Number Nine (China)

Between December 2020 and July 2021, claimant was a customer of Huobi. Due to forced liquidation of their futures trading account caused by a nonresponsive Huobi App, claimant lost \$132,292. Claimant was unable to elicit a response from Huobi customer service.

² Muyao Shen. *China's Latest Crypto Ban Is Its Most Severe, Insiders Say*. Coindesk, September 25, 2021. <https://www.coindesk.com/policy/2021/09/24/chinas-latest-crypto-ban-is-its-most-severe-insiders-say/>

Claimant Number Ten (China)

Between October 2020 to June 2021, claimant held a variety of Huobi futures contracts which suffered multiple forced liquidations despite claimant setting the contract with a stop loss, which however did not trigger the expected stop loss. Claimant also suffered forced liquidations during times of extreme volatility when the Huobi platform was unreachable due to system outages. Claimant noted the outages were a pattern that always resulted in forced liquidation losses. Losses to claimant totaled at least \$166,000. When claimant contacted Huobi customer services, she received only non-responsive robotic replies. Upon travelling to Beijing to seek out that Huobi office, she met with Huobi customer service which denied her requests.

Claimant Number Eleven (France)

Claimant was the victim of an online investment fraud between August and October 2020 in the amount of over 5 Bitcoins. With help of the French Police and Ciphertrace exact details of the criminals' account at Huobi was provided to Huobi. Huobi customer service however refused to cooperate with the French Police and informed them that Huobi only answered to the Seychelles Police because Huobi is a Seychelles company. In 2021 The Seychelles Police opened a case at claimant's request and contacted Huobi. Huobi identified the criminal, the account address, and provided the criminal's Chinese identification card however took no attempts to secure the account. The Seychelles Police informed claimant they could not do anything further because Huobi had no physical presence in the Seychelles. Further attempts to contact Huobi customer service and regulatory departments were fruitless. The criminal was able to retain both the account and cryptocurrency due to Huobi's indifference, toleration of criminal activity and use of Seychelles IBC status to avoid jurisdiction by police.

For specific files relating to each claimant, see Appendices.

OECD Guidelines Chapter VIII Consumer Interests

The OECD Guidelines at Chapter VIII contains the following relevant paragraphs:

Not to make representations or omissions, nor engage in any other practices, that are deceptive, misleading, fraudulent, or unfair. (Chapter 8, Paragraph 4)

Huobi positions itself as a trusted partner. However, Huobi does not take responsibility for platform outages or investigate them properly if at all owing to lack of regulation and insufficient self-regulation.

Paragraph 4 concerns deceptive, misleading, fraudulent, and other unfair commercial practices. Such practices can distort markets, at the expense of both consumers and responsible enterprises and should be avoided. (Comments, paragraph 88)

Huobi has created highly leveraged and sophisticated financial products based on highly volatile crypto assets which are largely unregulated and non-transparent which are marketed to unsophisticated consumers often in conjunction with incentives and prizes. The rules governing trading these products unfairly favor Huobi and further disadvantage the consumer.

Co-operate fully with public authorities to prevent and combat deceptive marketing practices (including misleading advertising and commercial fraud) and to diminish or

prevent serious threats to public health and safety or to the environment deriving from the consumption, use or disposal of their goods and services. (Chapter 8, Paragraph 7)

Huobi does not cooperate with public authorities instead it hides behind its Seychelles corporate status to avoid addressing internal security lapses which allow criminals to utilize accounts.

Huobi by its own admission has customers in over 100 countries yet its financial products are thinly regulated. The consumer therefore must depend on Huobi to self-regulate which it does not do.

Take into consideration, in applying the above principles, i) the needs of vulnerable and disadvantaged consumers and ii) the specific challenges that e-commerce may pose for consumers. (Chapter 8, Paragraph 8)

Nine of the claimants are from a developing country, China, yet Huobi actively markets its products, including leveraged products, in developing nations.

Paragraph 8 calls on enterprises to take the situations of vulnerable and disadvantaged consumers into account when they market goods and services. Disadvantaged or vulnerable consumers refer to particular consumers or categories of consumers, who because of personal characteristics or circumstances (like age, mental or physical capacity, education, income, language or remote location) may meet particular difficulties in operating in today's information-intensive, globalised markets. The paragraph also highlights the growing importance of mobile and other forms of e-commerce in global markets. The benefits that such commerce provides are significant and growing. Governments have spent considerable time examining ways to ensure that consumers are afforded transparent and effective protection that is not less in the case of e-commerce than the level of protection afforded in more traditional forms of commerce. (Commentary, Paragraph 92)

The use of prizes and incentives in the promotion of dangerous crypto asset based products encourages profligate and reckless behaviors. Huobi fails to take into consideration that consumer's may have inadequate income, education, or technology access to effectively utilize its products without incurring unnecessary losses.

The claimants' consumer issues fall into several broad categories:

(A) Huobi's products are unregulated and consumer unfriendly.

1. First, Huobi presents unsophisticated customers in a developing nation with complex and volatile financial products such as leveraged products, futures, margin, and contracts.
2. Compounding the problem is that the products are based not on well known financial products such as commodities, stocks, foreign exchange or bonds but hyper volatile cryptocurrencies that are largely unregulated, not transparent, and extremely technical.
3. The markets involved are prone to "flash crashes" that require accurate and timely execution of trades in order to avoid forced liquidations

(B) The Huobi platform, network, and app are prone to system outage or failures during periods of high demand and volatility.

1. Huobi does not have a consistent protocol to deal with system outages.
2. Instead of investigating these platform failures, Huobi shifts responsibility to the consumer.
3. Due to Huobi being largely unregulated and lightly regulated elsewhere consumers have little or no recourse in instances of outages and network as they would in the case of regulated financial products.

(C) Huobi itself due to its decentralized and largely unregulated structure treats consumer complaints in a haphazard manner, routinely denying complaints without proper investigation and promising settlement and then not performing.

OECD Guidelines Chapter XI Taxation

The Seychelles Labour Union is an independent union that represents the interests of Seychellois workers.

Huobi Global Limited, which sits at the apex of the Huobi corporate structure, is a Seychelles International Business Company. As such, it must conduct no operations in the Seychelles in order to pay no taxes. See Seychelles International Business Companies Act, Section 5(2).³ While there are exceptions such as consulting with lawyers or accountants, the exceptions do not involve requiring all consumer disputes worldwide to be physically settled in the Seychelles *infra*.

Huobi takes advantage of Seychellois jurisdiction and utilizes this jurisdiction to protect itself from consumer claims by claiming it is governed under the law of the Seychelles even though it conducts no operation there and Huobi requires that all consumer dispute resolution must take place physically in the Seychelles. As such Huobi conducts business in the Seychelles and owes millions of dollars in taxes, both income and stamp duty.

For example, the Huobi Platform User Agreement (<https://www.huobi.com/support/en-us/detail/360000298561>): states:

7.10 Governing Law

This Agreement and the relationship between us shall be governed by and construed in accordance with the laws of Seychelles.

17.11 Dispute Resolution

...The arbitration shall take place in Seychelles and apply to applicable laws determined under the ICC Rules of Arbitration...

20. Notices and Communications

(viii) Governing Law

³ [International Business Companies Act, 2016 | Seychelles Legal Information Institute \(seylil.org\)](#)

This Agreement and the relationship between us shall be governed by and construed in accordance with the laws of Seychelles.

Appendix 3: Huobi Options Services Agreement

(v) Amendment

(viii) Governing Law

This Agreement and the relationship between us shall be governed by and construed in accordance with the laws of Seychelles.

In the case of Claimant 11, Huobi said it would answer only to the Seychelles Police but in fact these same police were powerless to open a case as Huobi physically was not in the Seychelles. And in regard to Claimant 1, it was the Seychelles company that sued her in Singapore in an attempt to silence her criticism of company consumer policy.

Huobi violates the letter and spirit of Seychelles tax and corporate law; it is grossly inappropriate that a consumer financial services company which conducts in excess of \$3 billion dollars of day in trading volume is able to evade both regulation and taxation in its home jurisdiction. Huobi aside from maintaining a registered office does nothing for the people and workers of the Seychelles. The Seychelles itself is on the current European Union (EU) list of non-cooperative jurisdictions for tax purposes.

Huobi's presence in the Seychelles is not passive or simply ministerial, it envisions all consumers who wish to arbitrate complaints must physically go to the Seychelles. The intent is clearly to prevent consumer's from exercising their rights while taking unfair advantage of consumers and misusing the Seychelles jurisdiction as both a sword and shield against its own customers.

OECD Guidelines Chapter XI commentaries at paragraphs 100-103 make it clear that misuse of jurisdictions is against the spirit of the Guidelines and talks in terms of cooperation and transparency.

Huobi has abused its corporate presence in the Seychelles as a worldwide consumer financial services company. It eschews regulation and taxation while claiming consumer complaints must be heard in a country where it is not even authorized to conduct operation as a condition of tax avoidance.

Venue

There are three possible OECD venues, Japan being the superior one. The Huobi parent company is a Seychelles company but has no actual footprint in that country. Regional headquarters exist in two OECD nations, Korea and Japan. One of the claimants is from France. France would have very little interests in this matter aside from the single complaint. In Japan, Huobi maintains a regional headquarters and is regulated. It is likely then Huobi will participate in a Special Instance before the Japanese NCP.

Previous Attempts to Negotiate with Huobi were Indicative of its Failure to Implement the MNE Guidelines

Even when claimants were able to have discourse with Huobi the following occurred:

- a. The discourse was robotic and often meaningless.
- b. Huobi disclaimed all responsibility for platform outages and there was no evidence of investigation of complaints.
- c. Huobi disregarded public authorities and hid behind IBC status.
- d. Huobi personnel offered settlements but then did not follow through or followed through only partially.

On the whole Huobi's culture was one of indifference to both customers and the authorities. Huobi often shifted blame for any shortcoming to the customer with no investigation. Huobi was emboldened to do so by its misuse of Seychelles jurisdiction.

Relief Requested

In regard to the foregoing the Complainants request:

The NCP provide its good offices to assist the parties to mediate their collective consumer and taxation disputes so that the consumers and complainants herein may gain some measure of recognition by Huobi of their legitimate concerns as stakeholders and a solution and policies within the framework of the OECD Guidelines may be worked out to address at a minimum the following:

1. Regular trading platform outages which trigger forced liquidations;
2. Non-payment of promised past due settlements;
3. Reconsideration of consumer claims and payment of claimants' legal fees and costs;
4. Response to complaints of criminal activity or fraud;
5. Tax, public authority and regulatory avoidance.
6. Other issues that may arise.

If mediation is unsuccessful or Huobi will not cooperate, the NCP is requested to review the merits of the complaint and make a determination whether Huobi has breached the OECD MNE guidelines.

Appendices

Files relating to the complaints of Claimants One through Eleven are attached as exhibits. The purpose of these files is to provide further details so that Huobi is provided proper notice of the overall pattern of consumer abuses. These files are not meant to be exhaustive factual proof of each individual case but only to illustrate the depth of the overall consumer concerns.

Submitted by:

A rectangular box containing a handwritten signature in blue ink on the left and a circular notary seal on the right. The seal features a scale of justice in the center, with the text "JONATHAN LEVY" at the top and "CALIFORNIA BAR # 159032" at the bottom.

Dr. Jonathan Levy Esq.
Legal Representative for Complainants
Attorney and Solicitor
Unit 7810, PO Box 6945,
London, W1A 6US
United Kingdom
info@jlevy.co
Tel +44 20 8144 2479
Fax +1 202 478 1970