

1 **WO**

2  
3  
4  
5  
6 **IN THE UNITED STATES DISTRICT COURT**  
7 **FOR THE DISTRICT OF ARIZONA**

8  
9 Commodity Futures Trading Commission,

No. CV-24-00117-PHX-DLR

10 Plaintiff,

**ORDER**

11 v.

12 Debiex, et al.,

13 Defendants.  
14

15  
16 Plaintiff Commodity Futures Trading Commission's ("CFTC") complaint accuses  
17 Defendant Debiex of engaging in a coordinated scheme to defraud U.S. customers  
18 ("Customers") in violation of the Commodity Exchange Act, 7 U.S.C. § 9(1) ("the Act"),  
19 and corresponding CFTC regulations ("Regulations"). The complaint names Zhang Cheng  
20 Yang ("Zhang") as a Relief Defendant because the CFTC believes Zhang acts as a money  
21 mule for Debiex. (Doc. 1.) Despite being served with a summons and the complaint (Docs.  
22 14, 19), Zhang failed to appear and answer or otherwise respond to the complaint,  
23 prompting the CFTC to apply for and the Clerk of the Court to enter default against Zhang  
24 (Docs. 21, 22.) Now before the Court is the CFTC's motion for entry of a default judgment  
25 against Zhang (Doc. 26), which will be granted.

26 **I. Factual Background<sup>1</sup>**

27 From approximately March 2022 to the date the CFTC filed this lawsuit ("Relevant

28 <sup>1</sup> Unless otherwise noted, these facts are derived from the CFTC's complaint and presumed true given Zhang's default.

1 Period”), Debiex operated publicly accessible internet domains located at  
2 <https://www.debiex.com> and/or <https://www.debiex.net>. On its websites, Debiex claimed  
3 that (1) its users “can perform two main actions on this platform: Futures Trading [and]  
4 Mining transactions,” (2) it is a “Blockchain Network Decentralized perpetual contract  
5 trading platform,” for popular currency such as Bitcoin, and “We work very hard to ensure  
6 every aspect of the platform. We also conduct professional audits of all smart contracts.  
7 From the ground up, we designed the DEX to be as robust as possible: from price oracles,  
8 to liquidation mechanisms, to the underlying smart contracts.” Debiex’s corporate status  
9 (if any) and exact location are unknown, as Debiex has never been registered with the  
10 CFTC. Debiex is operated and overseen by currently unknown officers and/or managers.

11 Relief Defendant Zhang is a Chinese national. Zhang owns or otherwise controls a  
12 digital asset wallet with a global digital asset commodity spot and derivatives exchange  
13 (“Exchange A”).<sup>2</sup> Zhang created the digital asset wallet with Exchange A around  
14 November 28, 2022. Zhang’s digital asset wallet at Exchange A received digital assets to  
15 which he had no legitimate claim and for which he did not provide any services to  
16 Customers. Exchange A has voluntarily preserved the funds contained in Zhang’s digital  
17 asset wallet pending the outcome of this litigation. Zhang is believed to be evading  
18 detection by both the CFTC and the China Securities Regulatory Commission. (Doc. 12 at  
19 8.)

20 Throughout the Relevant Period, Debiex targeted primarily Chinese Americans with  
21 a sophisticated fraudulent scheme involving the coordinated efforts of three employee  
22 and/or agent groups: (1) “Solicitors,” who contacted Customers via U.S.-based social  
23 media platforms and pretended to befriend or romance the Customers in order to solicit  
24 them to open and fund trading accounts at one of Debiex’s two websites; (2) Debiex’s  
25 “Customer Service,” which purported to set up and service Debiex trading accounts on  
26 behalf of the Customers; and (3) “Money Mules,” such as Zhang, whose digital asset

---

27  
28 <sup>2</sup> The CFTC did not identify Exchange A in its complaint and the Court will not  
identify it here because the CFTC does not believe it is connected to Debiex’s fraud.

1 wallets were used by Debiex to accept and/or misappropriate Customer digital assets.  
2 These three groups were organized and supervised by Debiex’s unknown officers and/or  
3 managers. This type of fraudulent scheme is commonly referred to as a “Sha Zhu Pan” or  
4 “Pig Butchering” scheme by its operators because it involves cultivating a friendly or  
5 romantic relationship with a potential victim through continuous and repeated contacts to  
6 “fatten up” victims with falsehoods, gain their trust, and eventually solicit them to invest  
7 in a fraudulent financial opportunity.

8         Throughout the Relevant Period, Debiex accepted the deposit of digital assets,  
9 valued at approximately \$2.3 million from at least five Customers into various digital asset  
10 wallets. One of these wallets was owned and controlled by Zhang. Contrary to the false  
11 representations made to the Customers by the Solicitors and/or Customer Service, Debiex  
12 did not use the funds to enter any digital asset commodity transactions on behalf of the  
13 Customers. (Doc. 26-1 at ¶¶ 42, 50.)

14         Solicitors established a rapport with the Customers through continuous and repeated  
15 messaging and sharing purported pictures of themselves. Solicitors always claimed to be  
16 highly successful digital asset commodities traders, sometimes attributing their success to  
17 an “uncle” or an “insider” who provided them with inside knowledge. Once the Solicitor  
18 gained the Customer’s trust, they encouraged the Customer to open a digital asset  
19 commodity trading account with Debiex and offered to share their purported inside  
20 knowledge with the Customer so that they too might earn extraordinary returns.

21         Once a Customer decided to participate, the Solicitor then introduced them to  
22 Defendant Debiex. To fund their purported Debiex digital asset commodity trading  
23 accounts, either the Solicitors or Customer Service provided Customers with digital wallet  
24 addresses. After sending their funds to the U.S.-based digital asset commodity exchange  
25 platform and converting them to digital asset commodities, which they then sent to digital  
26 asset wallets they had been led to believe belonged to Debiex, Customers all believed they  
27 had opened actual trading accounts on Debiex’s platforms. But Defendant Debiex’s  
28 websites simply allowed Customers to interface with Customer Service representatives,

1 who controlled the information provided to the Customers via the Debiex websites. Using  
2 Debiex websites, Customer Service provided Customers with fictitious information  
3 concerning profits and losses, account balances, digital asset commodity trading  
4 transactions, and deposits and withdrawals of funds into and out of their trading accounts.  
5 This information was likely false; Customers' digital assets were simply sent to numerous  
6 digital asset wallets to obfuscate their destination. There is no evidence that the Customers'  
7 digital assets were "traded" for another digital asset, as portrayed in the Customers' trading  
8 platform records.

9         The statements by the Solicitors and Customer Service and the statements on the  
10 Debiex websites were important and so clearly false that Debiex's unknown officers and/or  
11 managers either knew about the fraud or departed from the standard of care a reasonable  
12 person would undertake in similar circumstances.

13         Once their accounts were funded, the Solicitors provided Customers with purported  
14 trading advice. The Solicitors instructed the Customers which digital asset commodity the  
15 Customers should purportedly "trade" and when they should enter and exit each "trade."  
16 The Customers were led to believe that they were earning substantial returns from their  
17 trading. The Customers' Debiex accounts generally showed consistent trading gains with  
18 few (if any) losses. The Solicitors used these purported successes to encourage Customers  
19 to deposit additional funds with Debiex. Debiex's Customer Service, and sometimes the  
20 Solicitors, employed tactics to further defraud Customers, such as falsely telling them that  
21 they would need to pay taxes before their funds could be withdrawn. As a result, some of  
22 the Customers transferred additional funds to their trading accounts to cover these "taxes."  
23 The tax payments were a ruse, and Customers were unable to withdraw their funds even  
24 after submitting these "taxes." Once Customers stopped making deposits, Debiex's  
25 Customer Service and/or the Solicitors either stopped communicating with them or  
26 continued to pressure them to make purported tax payments so they could receive their  
27 purported trading profits.

28         Zhang owns or otherwise controls a digital asset wallet with Exchange A that

1 received digital assets to which he had no legitimate claim and for which he did not provide  
2 any services to Customers.

3 Customer D, who resides in this District, was contacted by his Solicitor via a  
4 messaging application. (Doc. 26-1 at ¶ 61.) Customer D’s solicitor claimed to be a Chinese  
5 woman living in Seattle and she convinced him to move their conversation to another  
6 application where she repeatedly chatted with him. From December 2022 to January 2023,  
7 Customer D transferred Ether (“ETH”) digital assets worth approximately \$435,793 at the  
8 time of transfer, via 7 separate transfers into digital asset wallets he thought belonged to  
9 Debiex. (*Id.* ¶¶ 62-75.) During his conversations with and solicitations by Debiex’s  
10 Solicitors, who were trying to convince him to send more funds, Customer D also received  
11 approximately 9,990 Tether (“USDT”) back, which means he transferred to Debiex a net  
12 total of digital assets worth approximately \$425,893. (*Id.* ¶ 63.)

13 An analysis of Customer D’s digital assets revealed that they quickly moved via  
14 transfers through a succession of several digital asset wallets, the owners of which are  
15 unknown. (*Id.* ¶¶ 65-75.) On December 30, 2022, Customer D transferred 131.08 ETH to  
16 a digital asset wallet he thought was controlled by Debiex, but the owner of which is  
17 unknown. (*Id.* ¶ 66.) Customer D’s 131.08 ETH was quickly transferred a second time to  
18 another digital asset wallet, the owner of which is unknown. (*Id.* ¶ 67.) In the third transfer,  
19 where Customer D transferred 131.08 ETH to a wallet he thought was controlled by  
20 Debiex, his digital asset commodities were transferred to a U.S.-based decentralized digital  
21 asset exchange and converted to USDT. (*Id.* ¶ 68.) Customer D’s converted digital assets  
22 then moved through several more wallets as 155,479.77 USDT. (*Id.* ¶¶ 69-74.) Finally, on  
23 January 2, 2023, 155,479.77 of Customer D’s USDT was transferred to Wallet  
24 0x01c04937Dcf5005b816b465282db8FdcedEEb5Ef, a wallet that has been identified as  
25 associated with Exchange A and which was subsequently determined to belong to Zhang.  
26 (*Id.* ¶ 75.) This digital asset tracing of Customer D’s digital assets from his wallet to  
27 Zhang’s wallet at Exchange A is confirmed by two other digital asset traces. (*Id.* ¶¶ 78-  
28 81.) Customer D, however, does not know Zhang and never received any services from

1 him. (*Id.* ¶ 77.)

2 Exchange A is voluntarily preserving these assets pending the outcome of this  
3 litigation. Exchange A has had the following digital assets frozen in Zhang’s account since  
4 approximately May 25, 2023:

5 <b>Digital asset/Token</b>	<b>Balance</b>
6 ETH (Ether)	62.94155
7 USDT (Tether)	5.7041258

8 (*Id.* ¶ 58.) These remaining digital assets in Zhang’s wallet are directly traceable back to  
9 Customer D’s initial transfer of 131.08 ETH he intended for Debiex. (*Id.* ¶ 83.)

## 10 **II. Analysis**

11 Whether to enter a default judgment is discretionary. *Aldabe v. Aldabe*, 616 F.2d  
12 1089, 1092 (9th Cir. 1980). The Court may consider the following factors when deciding  
13 whether default judgment is appropriate: (1) the possibility of prejudice to the plaintiff, (2)  
14 the merits of the claims, (3) the sufficiency of the complaint, (4) the amount of money at  
15 stake, (5) the possibility of factual disputes, (6) whether default is due to excusable neglect,  
16 and (7) the policy favoring decisions on the merits. *See Eitel v. McCool*, 782 F.2d 1470,  
17 1471-72 (9th Cir. 1986). In considering the merits and sufficiency of the complaint, the  
18 Court accepts as true the complaint’s well-pled factual allegations. *See Geddes v. United*  
19 *Fin. Grp.*, 559 F.2d 557, 560 (9th Cir. 1977). Although the Court should consider and  
20 weigh relevant factors as part of the decision-making process, it “is not required to make  
21 detailed findings of fact.” *Fair Housing of Marin v. Combs*, 285 F.3d 899, 906 (9th Cir.  
22 2002). These factors favor entry of default judgment.

23 The CFTC’s complaint adequately alleges that Zhang, a relief defendant, owns or  
24 otherwise controls a digital asset wallet with Exchange A that received digital assets to  
25 which he had no legitimate claim and for which he did not provide any services to  
26 Customers. This Court may grant equitable relief against a relief defendant if it is  
27 established that the relief defendant possesses property or profits illegally obtained and the  
28 relief defendant has no legitimate claim to them. *See SEC v. Cavanagh*, 155 F.3d 129, 136

1 (2d Cir. 1998) (“Federal courts may order equitable relief against a person who is not  
2 accused of wrongdoing in a securities enforcement action where that person: (1) has  
3 received ill-gotten funds; and (2) does not have a legitimate claim to those funds.”) (citing  
4 *SEC v. Colello*, 139 F.3d 674, 676 (9th Cir. 1998)).

5 Given Zhang’s default, there are no genuine factual disputes that would counsel  
6 against entry of default judgment. Absent entry of default judgment, the CFTC and  
7 Customer D “will likely be without other recourse for recovery.” *PepsiCo, Inc. v. Cal. Sec.*  
8 *Cans*, 238 F. Supp. 2d 1172, 1177 (C.D. Cal. 2002).

9 Although the amount of money at stake is substantial, the CFTC has demonstrated  
10 that Zhang received ill-gotten gains from Debiex’s fraudulent conduct to which he had no  
11 legitimate claim and for which he did not provide any services. To prevent a defendant  
12 from misappropriating fraudulent gains, a court may order a relief defendant to disgorge  
13 the ill-gotten funds they received. *See S.E.C. v. World Capital Mkt., Inc.*, 864 F.3d 996,  
14 1003 (9th Cir. 2017). This is the type of relief that the CFTC seeks against Zhang.

15 There is no evidence that Zhang’s failure to respond to the complaint is the result of  
16 “excusable neglect.” And although cases “should be decided on their merits whenever  
17 reasonably possible” *Eitel*, 782 F.2d at 1472, the existence of Federal Rule of Civil  
18 Procedure 55(b) “indicates that this preference, standing alone, is not dispositive.”  
19 *PepsiCo*, 238 F. Supp. 2d at 1177 (citation omitted). Accordingly,

20 **IT IS ORDERED** that the CFTC’s motion for entry of default judgment against  
21 Relief Defendant Zhang (Doc. 26) is **GRANTED** as follows:

22 1. All cryptocurrency held in Zhang’s digital asset account with Exchange A,  
23 including with the deposit cryptocurrency wallet address  
24 0x01c04937dcf5005b816b465282db8fdcedeeb5ef in the custody of Exchange A, subject  
25 to and excluding any tokens below any reasonable minimum withdrawal amount imposed  
26 by Exchange A, shall be sent to Ethereum wallet address  
27 0x2f57eeE8C304CDfdE848028a6C89AC00B364B004, which belongs to Customer D  
28 (“Restitution Obligation”). More specifically, the following tokens shall be transferred as

1 the Restitution Obligation:

2 <b>Digital asset/Token</b>	<b>Balance</b>
3 ETH (Ether)	62.94155
4 USDT (Tether)	5.7041258

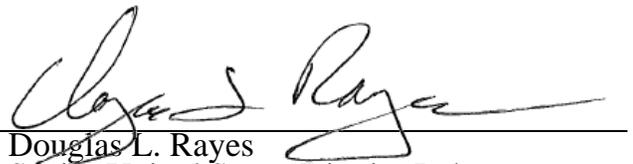
5 2. Pursuant to Fed. R. Civ. P. 71, Customer D, who suffered losses proximately  
6 caused by Debiex and/or Zhang, is made a third-party beneficiary of this Order and may  
7 seek to enforce this Order to obtain satisfaction of any portion of the Restitution Obligation.

8 3. The relief in this Order shall be binding on Debiex and Zhang, upon any person  
9 under their authority or control, and upon any person who receives actual notice of this  
10 Order, by personal service, email, facsimile or otherwise insofar as he or she is acting in  
11 active concert or participation with Debiex and/or Zhang.

12 4. If any provision of this Order or if the application of any provision or  
13 circumstance is held invalid, then the remainder of this Order and the application of the  
14 provision to any other person or circumstance shall not be affected by the holding.

15 5. The Clerk of the Court is directed to enter judgment accordingly.

16 Dated this 12th day of March, 2025.

17  
18  
19  
20   
21 Douglas L. Rayes  
22 Senior United States District Judge  
23  
24  
25  
26  
27  
28