

Karima M. Woods, Commissioner

IN THE MATTER OF:)
)
Voyager Digital Ltd.,)
Voyager Digital Holdings, Inc., and)
Voyager Digital, LLC,)
)
Respondents.)
_____)

ADMINISTRATIVE ORDER
ORDER NO: SB-02-22

SUMMARY CEASE AND DESIST ORDER

In accordance with the provisions of the District of Columbia Administrative Procedure Act, D.C. Official Code § 2-501 et seq., the Rules of Practice and Procedures for Hearings, 26 DCMR §B300 et seq., and section 602 of the Securities Act of 2000, D.C. Official Code § 31-5606.02 (“Act”), Voyager Digital Ltd., Voyager Holdings, Inc. and Voyager Digital, LLC (collectively, “Voyager” (“Respondents”) are hereby ordered to cease and desist from offering or selling unregistered securities in the District of Columbia, in violation of D.C. Official Code §§ 31-5605.01 and 31-5603.01.

JURISDICTION

D.C. Official Code § 31-5606.02(a) grants the Commissioner of the Department of Insurance, Securities, and Banking (“Department” or “DISB”) the power to issue, without a hearing, a summary order directing the Respondents to cease and desist from engaging in acts or practices which constitute, or will constitute, a violation of any provision of the Act, or any rule or order.

Under D.C. Official Code § 31-5606.02(a)(1), this Summary Order to Cease and

Desist (“Order”) constitutes notice of the opportunity for a hearing before the Commissioner, or her designee, to determine whether the Order should be vacated, modified, or entered as final; and constitutes notice that the Order will be entered as final if the Respondents do not request a hearing within 15 days of the receipt of the Order, pursuant to D.C. Official Code § 31-5606.02(a)(2); and that the Commissioner may bar the Respondents from engaging in the securities business or investment advisory business in the District, order payment of restitution and impose a fine on Respondents, pursuant to D.C. Official Code § 31-5606.02(b). In addition, a written answer to the allegation must be filed with the Commissioner within 10 days of service of this Order, pursuant to 26 DCMR § B304.

FINDINGS OF FACT

1. Voyager Digital, LLC is a financial services company that generates revenue through trading, borrowing, staking, and lending cryptocurrency. Since November 1, 2019, Voyager has been, at least in part, funding its income-generating activities, including lending operations, digital asset staking, and proprietary trading, through the sale of unregistered securities in the form of cryptocurrency interest-earning accounts. Voyager refers to these unregistered securities as its “Rewards Program,” which is a feature of all Voyager cryptocurrency trading accounts (“Voyager Rewards Accounts”) unless the account holder opts out.

2. Voyager solicits investors to invest in the Voyager Rewards Accounts by depositing certain eligible cryptocurrencies into the investors' Voyager Reward Program Account. After obtaining transfers of cryptocurrencies from retail investors, Voyager then pools these cryptocurrencies together to fund its various income-generating activities,

including lending operations, proprietary trading, cryptocurrency staking, and investments in other cryptocurrency trading platforms, such as Celsius Network. In exchange for investing in the Voyager Reward Program Accounts, investors are promised an attractive interest rate that is paid monthly in the same type of cryptocurrency as originally invested.

3. The Voyager Reward Program Accounts are not registered with the Department or any other securities regulatory authority; nor are they otherwise exempt from registration. Digital assets contained in Voyager Reward Program Accounts are not protected by the Securities Investor Protection Corporation ("SIPC"), insured by the Federal Deposit Insurance Corporation ("FDIC"), or insured by the National Credit Union Administration ("NCUA"). This lack of a protective scheme or regulatory oversight subjects Voyager Reward Program Account investors to additional risks not borne by investors who maintain assets with most SIPC member broker-dealers, or with banks, savings associations, or credit unions, although Voyager does disclose the lack of insurance of digital assets to Voyager Reward Program Account investors.

4. As of March 1, 2022, Voyager had approximately 1,530,000 Voyager Reward Program Accounts representing approximately \$5 billion in assets, of which approximately 52,800 were DC-based accounts representing approximately \$197 million in assets.

5. Despite the Voyager Reward Program Accounts lacking the safeguards that the SIPC, FDIC, and NCUA would offer, and lacking the regulatory oversight of securities registration, by March 1, 2022, Voyager's holdings had mushroomed to the equivalent of approximately \$5 billion in cryptocurrency assets from the sale of these unregistered securities.

6. The Department enters this Order to protect the investing public by halting the

offer and sale of these unregistered securities, and the contribution of additional assets to existing Voyager Reward Program Accounts. Nothing in this order shall preclude Voyager, or any of its affiliates, from paying interest, also known as “Rewards,” on the existing Voyager Reward Program Accounts or refunding principal to the Voyager Reward Program Account investors consistent with Voyager’s Customer Agreement.

A. The Respondents

7. Voyager Digital Ltd. is incorporated in British Columbia, Canada, and is the parent company for Voyager’s subsidiaries, including Voyager Digital Holdings, Inc.

8. Voyager Digital Holdings, Inc. is incorporated in Delaware and is the holding company for Voyager Digital Ltd.’s subsidiaries in the United States, including Voyager Digital, LLC.

9. Voyager Digital, LLC, is a Delaware limited liability company, that effected a foreign entity filing in the District of Columbia on October 22, 2018, under the foreign name of Cryptotrading Technologies. It listed its business address at 185 Hudson Street, Suite 2500, Jersey City, NJ 07311, and its registered agent as Corporation Service Company, at 1090 Vermont Avenue NW, Washington, DC 20005. Voyager conducts its business on the internet, through a website accessible to the general public at <https://www.investvoyager.com/> (the” Voyager Website”), which is also accessible through Voyager’s own proprietary app via smartphone.

10. Voyager is not presently registered, and has never been registered, in any capacity with the Department; nor have the Voyager Reward Program Accounts ever been registered with

the DISB.

B. The Voyager Reward Program Account Securities

a. Voyager Reward Program

11. Voyager offers and sells its Voyager Reward Program Account unregistered securities in the form of individual and corporate accounts. Investors in these accounts ("Rewards Account Investors") deposit certain popular cryptocurrencies with Voyager to earn "up to 12% Rewards." The Voyager Reward Program Account "Rewards" rates Voyager advertises are well in excess of the rates currently being offered on short-term investment-grade fixed income securities, or on bank savings accounts.

12. Voyager offers its Voyager Reward Program Accounts to all U.S. residents over the age of eighteen, except residents of New York state.

13. When an investor signs up with Voyager, they complete a KYC (Know Your Customer) protocol in which they input certain identifying personal information, including name, age and address, and provide verification using an identification document such as a driver's license. To create an account, a user must check a box next to the statement, "By creating an Agreement (the "Voyager Terms"). Links to the Voyager Terms also appear elsewhere on the Voyager Website.

14. The Voyager Website states that Voyager requires Rewards Account Investors to maintain a specified minimum average monthly cryptocurrency balance for a Rewards Account Investor to earn interest on Voyager Reward Program Account balances.

Specific minimum balances for particular accounts are listed on the Voyager app information page for that coin.

15. Voyager only accepts certain types of cryptocurrencies for deposit in the Voyager Reward Program Accounts. Although Voyager refers to its payments to Reward Program Investors as “Rewards,” the term “Rewards” is a substitute for interest.

16. Voyager Reward Program Investors earn a variable interest rate on their investment and may withdraw their digital assets at any time, subject to certain restrictions, including discretionary decisions by Voyager to “delay, modify or prohibit, in whole or in part, any requested withdrawal,” and withdrawals within sixty days of a cryptocurrency or cash deposit.

17. The current monthly interest rates for Reward Program Investors are posted on the Voyager Website. Voyager’s interest rates for deposits of certain cryptocurrencies in its Rewards Program Accounts may be “tiered” with specified rates in effect at any time only applied to specified portions of cryptocurrency held in the account, according to the Voyager Terms. Annual interest rates on eligible cryptocurrencies posted on the Voyager Website for March 2022 ranged from 12% for Polkadot to 0.5% for OMG:

THIS AREA INTENTIONALLY LEFT BLANK

DOT POLKADOT 12%
Min. monthly balance: 20 DOT

USDC USD COIN 9%
Min. monthly balance: 100 USDC

VGX VOYAGER TOKEN 7%
Min. monthly balance: 10 VGX

MATIC POLYGON 5.25%
Min. monthly balance: 100 MATIC

ETH ETHEREUM* 4.25%
Min. monthly balance: 0.5 ETH

BTC BITCOIN* 4.05%
Min. monthly balance: 0.01 BTC

ADA CARDANO 4%
Min. monthly balance: 100 ADA

LUNA TERRA LUNA 4%
Min. monthly balance: 10 LUNA

AAVE AAVE 3.0%
Min. monthly balance: 1 AAVE

CELO CELO 3%
Min. monthly balance: 50 CELO

COMP COMPOUND 3%
Min. monthly balance: 1 COMP

DASH DASH 3%
Min. monthly balance: 1 DASH

SOL SOLANA 3%
Min. monthly balance: 3 SOL

LINK CHAINLINK 2.5%
Min. monthly balance: 10 LINK

LTC LITECOIN 2.5%
Min. monthly balance: 2 LTC

BCH BITCOIN CASH 2%
Min. monthly balance: 0.5 BCH

ATOM COSMOS 2%
Min. monthly balance: 20 ATOM

XTZ TEZOS 2%
Min. monthly balance: 50 XTZ

UNI UNISWAP 2%
Min. monthly balance: 10 UNI

FIL FILECOIN 2%
Min. monthly balance: 3 FIL

STMX STORMX 2%
Min. monthly balance: 5000 STMX

GRT THE GRAPH 2%
Min. monthly balance: 200 GRT

ALGO ALGORAND 2%
Min. monthly balance: 200 ALGO

ZRX ZRX 1.5%
Min. monthly balance: 200 ZRX

Search coins

Sort by: Highest rates

UMA UMA 1%
Min. monthly balance: 25 UMA

BAT BASIC ATTENTION TOKEN 1%
Min. monthly balance: 300 BAT

EOS EOS 1%
Min. monthly balance: 50 EOS

OXT ORCHID 1%
Min. monthly balance: 500 OXT

XLM STELLAR LUMENS 1%
Min. monthly balance: 1000 XLM

ZEC ZCASH 1%
Min. monthly balance: 2 ZEC

MANA DECENTRALAND 0.5%
Min. monthly balance: 1000 MANA

DOGE DOGECOIN 0.50%
Min. monthly balance: 1000 DOGE

KNC KYBER NETWORK 0.5%
Min. monthly balance: 100 KNC

OMG OMG NETWORK 0.5%
Min. monthly balance: 50 OMG

*Rewards are paid up to 1000 Bitcoin and 500 Ethereum

18. Voyager also pays interest for deposits of certain stablecoins, which are cryptocurrencies pegged to an external measure of value such as the U.S. dollar, in its Voyager Rewards Accounts, as explained on the Voyager Website. For example, Voyager currently pays 9% annual interest on deposits of USDC with a minimum balance of 100 USDC.

19. Voyager's Customer Agreement describes the interest calculation and payment methodology:

10. Rewards Program. By entering into this Customer Agreement, and subject to clause (F) of this Section 10, Customer understands, acknowledges and agrees that Customer is opting into the Voyager Reward Program (the "Rewards Program"). The Rewards Program allows Customer to earn additional Cryptocurrency of the same kind of Cryptocurrency held in Customer's Account (the "Rewards"). The terms and conditions governing the Rewards Program are as follows:

* * *

(B) How Rewards Are Calculated. Rewards earned on Cryptocurrency are variable. Voyager will typically publish anticipated Rewards rates once per month on or before the first business day of each month. Reward rates may be tiered, with specified rates in effect at any time only applied to specified portions of amounts of Cryptocurrency held in the Account. Rewards will be payable in arrears and added to the Account on or before the fifth business day of each calendar month for the prior calendar month. Voyager uses the daily balance method to calculate the Rewards on the Account. This method applies a daily periodic rate to the specified principal in the account each day. The daily periodic rate is calculated by dividing the applicable interest rate by three hundred sixty-five (365) days, even in leap years. Voyager will determine the Reward rates and tiers for each month in Voyager's sole discretion, and the Customer acknowledges that such Rewards

may not be equivalent to benchmark interest rates observed in the market for bank deposit accounts.

b. Voyager’s Promotion of Reward Program Accounts as Investment Products

20. Voyager encourages its Reward Program Investors to think of their Voyager Reward Program Accounts as investments as evidenced by Voyager’s own homepage address: <https://www.investvoyager.com/> and certain investment-related statements on Voyager’s website, such as “Grow your crypto portfolio” and “journey to the new frontier of investing,” as illustrated on the website.

c. Voyager’s Use of the Reward Program Account Deposit Funds

21. The Voyager Customer Agreement provides that a Reward Program Investor relinquishes control over the deposited cryptocurrency to Voyager and that Voyager is free to use those assets as it sees fit, including commingling the Reward Program Investor’s cryptocurrency with those of other Reward Program Investors, investing those pooled assets, and staking them, or lending them to various third parties, including custodians and other financial institutions. Having relinquished control over the deposited cryptocurrency in their Voyager Reward Program Accounts, the Reward Program Investors are passive investors.

22. Specifically, Paragraph 10. A. “Rewards Program – Overview” of the Voyager Customer Agreement provides:

(A) Overview. Each Customer participating in the Rewards Program acknowledges and agrees that Voyager may rely on the consent to rehypothecate granted by each customer pursuant to **Section S(D) - Consent to Rehypothecate** with respect to

Cryptocurrency held in such Customer Account. Such consent to rehypothecate expressly includes allowing Voyager to (1) stake Cryptocurrency held in an omnibus fashion through various blockchain protocols (either by delegating Cryptocurrencies to the financial institutions which, in return, stake such Cryptocurrencies or using staking service providers to stake Cryptocurrencies); and (2) lend such Cryptocurrency to various institutional third parties (each, a “Borrower”) determined at Voyager’s sole discretion (each, a “Loan”). Voyager enters into these Loans as principal and independently negotiates with each Borrower the terms of less than one year or can be repaid on a demand basis and provide a fee payable in Cryptocurrency based on the percentage and denominated in the Cryptocurrency lent. Voyager selects which and how many Cryptocurrencies are available for such staking and lending.

23. In a response to an inquiry from the Department of Insurance, Securities, and Banking to Voyager, requesting a sortable Excel spreadsheet of all Voyager customers located in Washington, D.C., and a complete copy of each customer’s file, Voyager noted that “[a]s of the date of the request, all of the outstanding institutional lending activities represent uncollateralized loans.”

24. Paragraph 5.d. of Voyager’s Customer Agreement, “Consent to Rehypothecate,” further details the status of cryptocurrency deposited with Voyager by Reward Program Investors:

(D) Consent to Rehypothecate. Customer grants Voyager the right, subject to applicable law, without further notice to Customer, to hold Cryptocurrency held in Customer’s Account in Voyager’s name or in another name, and to pledge, repledge, hypothecate, rehypothecate, sell lend, stake, arrange for staking, or otherwise transfer or use any amount of such Cryptocurrency, separately or together with other property, with all attendant rights of ownership, and for any period of time and without

retaining a like amount of Cryptocurrency, and to use or invest such Cryptocurrency at Customer's sole risk.

25. Voyager then pools the deposited cryptocurrencies together with Voyager's other assets in order to, among other income-generating activities, stake them or, invest those pooled assets by making loans to various third parties, including custodians and other financial institutions.

26. Voyager does not disclose certain material information to Reward Program Investors that issuers of registered securities must include in a registration statement and provide to prospective investors in the form of a prospectus pursuant to section 52(d) of the Securities Law.

d. The Voyager Reward Program Accounts are Unregistered Securities

27. While certain of Voyager's loan products appear to be licensed under various state licensing requirements for money services businesses or money transmitters, and Voyager Digital Ltd. is a registered public company in Canada, the Voyager Reward Program Account is not currently registered with any federal or state securities regulator, nor is it exempt from registration as required by law, even though the Voyager Reward Program Account is a "security" and subject to such requirements.

28. Voyager fails to disclose to Reward Program Investors that its Reward Program Account is not currently registered by federal or state securities regulatory authorities, even though the Voyager Reward Program Account is a "security" and required

to be registered.

e. Misrepresentations and Omissions in the Marketing of the Voyager Reward Program Accounts

29. Voyager represents to the public on its website that it is “publicly traded, licensed, and regulated.” What Voyager fails to disclose in proximity to its advertising claim that it is “publicly traded” however, is that Voyager Digital, LLC’s parent company, Voyager Digital Ltd., is publicly traded *in Canada*, not the U.S., by virtue of its equity securities being listed on the Toronto Stock Exchange. Thus, Voyager’s advertising claim that it is “publicly traded” is inaccurate with respect to Voyager Digital, LLC, which is not a publicly traded entity, and creates a misleading impression with respect to Voyager Digital, LLC’s regulatory status, particularly because Voyager’s website notes that “[a]ll services [are] provided by Voyager Digital, LLC...”.

30. Voyager’s claim to be “licensed” stems from state licensing in far fewer than all U.S. states as a money transmitter, or money services business, which is unrelated to Voyager’s offering and selling of unregistered securities and may convey the misleading impression to unsophisticated investors that Voyager is “licensed” to offer and sell such securities when it is not.

31. Notwithstanding its claims to be licensed and regulated, Voyager’s Reward Program Accounts are neither licensed nor regulated by DISB, and Voyager has not sought to register its Reward Program Account with DISB, notwithstanding that it is a security required to be registered with DISB.

CONCLUSIONS OF LAW

32. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

33. The Voyager Reward Program Account is a security as defined in D.C. Official Code § 31-5601.01 (31).

34. The Voyager Reward Program Account was and is required to be registered with the DISB pursuant to D.C. Official Code §31-5603.01.

35. The Voyager Reward Program Account has not been registered with the DISB, is not exempt from registration, and is not federally covered.

36. Voyager has offered and sold unregistered securities in violation of D.C. Official Code § 31-5603.01 and continues to do so.

37. Each violation of D.C. Official Code § 31-5603-01 is a separate violation of the Securities Law and is cause for the denial of certain exemptions.

38. D.C. Official Code § 31-5606.02 empowers the Commissioner to issue a cease-and-desist order against persons engaged in prohibited activities, directing them to cease and desist from further illegal activity or doing acts in furtherance thereof.

ORDER

The Commissioner hereby finds that there is good cause, and it is in the public interest to enter this Summary Cease and Desist Order (“Order”) against Voyager Digital Ltd., Voyager Holdings, Inc. and Voyager Digital, LLC (collectively, “Voyager”).

THEREFORE, it is on this ___ day of _____ 2022, ORDERED that:

39. Effective on the date that this Order is entered, Voyager and any person, agent, employee, broker, partner, officer, director, affiliate, successor, or stockholder thereof, under any of their direction or control shall CEASE AND DESIST from:

a. offering for sale any security, including any Voyager Reward Program Account, to or from the District of Columbia unless the security is registered with the Department, is a covered security, or is exempt from registration under the laws in the District of Columbia;

b. accepting any additional assets into an existing Voyager Reward Program Account; and

c. violating any other provisions of the Securities Law and any rules promulgated thereunder for the sale of any security in the District of Columbia.

40. Nothing in this order shall preclude Voyager from paying interest, also known as “Rewards,” on existing Voyager Reward Program Accounts or refunding principal to Reward Program Account Investors consistent with the Voyager Terms.

41. All exemptions contained in are hereby DENIED as to Voyager.

42. All exemptions to the registration requirements provided are hereby DENIED as to Voyager.

SEAL

APPROVED and so ORDERED:

In Witness Whereof, I have hereunto
set my hand and affixed the official seal
of the Department of Insurance, Securities
and Banking, this 19th day of Tuesday
July, 2022

Karima Woods, Commissioner

NOTICE OF OPPORTUNITY OF HEARING

The Respondent may request a hearing, pursuant to D.C. Official Code § 31-5606.02(a)(1) and § 31-5606.02(a)(2). Whenever the Commissioner determines that a person has engaged, or is about to engage, in an act or practice constituting a violation of any provision of this chapter or any rule or order hereunder, and that immediate action against such person is in the public interest, the Commissioner may issue, without a hearing, a summary order directing the person to cease and desist from engaging in such activity; provided, that the summary cease and desist order shall give the person:

- (1) Notice of the opportunity for a hearing before the Commissioner to determine whether the summary cease and desist order should be vacated, modified, or entered as final; and
- (2) Notice that the summary cease and desist order will be entered as final if the person does not request a hearing within 15 days of the receipt of the summary cease and desist order.

If a request for a hearing is not received by the Department within 15 days of receipt of this Notice, the Department will proceed with moving forward with a Final Cease and Desist Order against you.

Lilah R. Blackstone, Deputy General Counsel, Office of General Counsel will represent the Department in this matter. A copy of any pleading or other written communication should be delivered to Ms. Blackstone, Department of Insurance, Securities and Banking, 1050 First Street, NE, Suite 801, Washington, DC 20002, or electronically delivered to lilah.blackstone@dc.gov.

Respondent may appear personally at the hearing and may be represented by legal counsel. Respondent has the right to produce witnesses and evidence on Respondent's behalf, to cross-examine witnesses against Respondent, to examine evidence produced, and to have subpoenas issued on Respondent's behalf to require the production of witnesses and evidence.

If Respondent, or any witnesses intended to be call, are deaf or because of a hearing impediment cannot readily understand or communicate the spoken English language, Respondent or Respondent's witnesses may apply to the DISB for the appointment of a qualified interpreter.

Correspondence directed to the Hearing Officer shall be addressed to: Hearing Officer, Department of insurance, Securities and Banking, 1050 First Street, NE, Suite 801, Washington, DC 20002. A copy of any correspondence directed to the Hearing Officer shall also be delivered to Ms. Blackstone at the address stated above.

Respondent's failure to appear at the time and place set for the bearing either

in person or through counsel, or both will not preclude the Hearing Officer's proceeding in the matter and entering an order of default which may result in issuance of a Final Cease and Desist Order pursuant to this Notice.

Date

Lilah Blackstone
Deputy General Counsel
Office of the General Counsel
1050 First Street, NE, Suite 801
Washington, DC 20002
Telephone: (202) 442-7750

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing SUMMARY CEASE AND DESIST ORDER was, on this ____ day of _____, 2022 mailed first class mail, postage pre-paid, return receipt requested to:

Nick Morgan
Paul Hastings, LLP
515 South Flower Street
25th Floor
Los Angeles, CA 90071

And served by electronic mail to:

contact@investvoyager.com

Signature

(Date)