

STATE OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING AND SECURITIES

In the Matter of:

VOYAGER DIGITAL LLC

Respondent.

ORDER NO: 22-70-S

**ORDER TO CEASE AND DESIST, NOTICE
OF INTENT TO IMPOSING CIVIL
PENALTIES, NOTICE OF INTENT TO
CHARGE COSTS, AND NOTICE OF
OPPORTUNITY TO REQUEST A HEARING**

The Director of the Department of Commerce, Community, and Economic Development, Division of Banking and Securities (“Administrator”), has conducted an investigation into certain activities of Voyager Digital LLC (“Respondent”) and has determined that Respondent violated certain provisions of the Alaska Securities Act, Alaska Statute (“AS”) 45.56 *et seq.*

I. FINDINGS OF FACT

1. Voyager Digital LLC (“Voyager”) is a Delaware limited liability company, originally formed on January 23, 2018. Voyager operates a cryptocurrency trading platform and accompanying iOS and Android applications. In connection with its cryptocurrency trading services, Voyager holds money transmitter licenses in 13 states, including Alaska.

2. Voyager Digital Ltd. is a British Columbia company, originally formed on June 25, 1993, with its principal place of business in Vancouver, British Columbia, Canada. Voyager Digital Ltd. is the sole owner of Voyager, along with several other related entities under the Voyager name.

3. Since October 2019, Voyager has offered Voyager Earn, a cryptocurrency investment program which advertises high rates of return for investors. In this program,

1 Voyager customers essentially “deposit” their cryptocurrency with Voyager, assign control
2 rights for the cryptocurrency to Voyager, and earn in-kind interest on the deposited
3 cryptocurrency (for instance, a customer who deposits Bitcoin will receive their interest
4 payments in Bitcoin). Voyager, in turn, lends cryptocurrencies to large borrowers and earns
5 interest on these loans, partly funding the interest payments to Voyager Earn participants.

6 4. As reported to the Division, as of July 10,2022, Voyager reports 1,879 customers
7 registered as residing in Alaska and \$4,963,480.96 in assets under management.

8 5. “Cryptocurrency” refers to a type of digital asset which is designed as a store of
9 value and can be used for various types of transactions with other users of the
10 cryptocurrency. The best-known cryptocurrency ecosystems are Bitcoin and Ethereum. In
11 most cases, transactions involving a particular cryptocurrency are recorded on a
12 “blockchain,” a publicly available ledger system which relies on users’ collective computing
13 power to record transactions.

14 6. Some cryptocurrency networks, most prominently Ethereum, operate on a “proof of
15 stake” principle, meaning that in order to participate in processing transactions on a
16 particular cryptocurrency’s blockchain, a user must lock in, or “stake” a certain minimum
17 amount of that cryptocurrency within the network. Several companies which offer staking
18 and related services have described staking as analogous to a bank account deposit. In
19 exchange for staking their cryptocurrency and participating in the blockchain, the user
20 generally receives in-kind payment of the staked cryptocurrency. In recent years, many
21 cryptocurrency companies have begun offering staking services which streamline or
22 automate staking-related functions and offer the user in-kind interest payments.

23 7. Since October 2019, Voyager has offered the Voyager Earn program, in which
24 users deposit their cryptocurrency in a Voyager account and provide Voyager with the rights

1 to use the deposited cryptocurrency for various business purposes. In exchange, Voyager
2 Earn customers receive passive income generated either by Voyager staking cryptocurrency
3 on its customers' behalf or by lending the cryptocurrency to large institutional borrowers.
4 Although these payments function similarly to banks or pooled investment vehicles,
5 Voyager and its affiliated entities are not registered in these capacities with any relevant
6 authority and are not protected by organizations such as the Federal Deposit Insurance
7 Corporation (which protects bank accounts) or the Securities Investor Protection
8 Corporation (which insures brokerage accounts). On July 2, 2022 the FDIC issued a cease
9 and desist order demanding that Voyager stop representing that its products are "FDIC
10 insured. <https://www.fdic.gov/news/press-releases/2022/pr22056a.pdf>

11 8. On its social media accounts, Voyager has repeatedly characterized the Earn
12 Program as an investment and the accompanying payments as interest payments. For
13 instance, in a June 2021 post on its Twitter account, @InvestVoyager, Voyager advertised
14 that "[t]he voyage to wealth doesn't have to be complicated with our easy to navigate app.
15 With over 55 digital assets to choose from and up to 10% interest APR on investments, you
16 can focus on watching your assets grow." Throughout 2021, Voyager regularly advertised
17 its industry-leading interest rates. On its website, Voyager provides customers with a list of
18 cryptocurrencies it currently transacts in, along with the interest rate and required minimum
19 balance which customers must maintain in their account in order to receive monthly interest
20 payments. As of February 2022, Voyager offered the Voyager Earn program for
21 approximately three dozen cryptocurrencies, with annual interest rates ranging from 0.5% to
22 12%, substantially higher than a fiat-currency savings account.

23 9. In its customer agreement, Voyager requires customers to provide it with the
24 authority to "move, transfer, store, control, and rehypothecate digital assets" in their

1 accounts. Voyager generally pools customers' cryptocurrency into an omnibus account,
2 which it uses to (a) stake cryptocurrency on customers' behalf, and (b) facilitate institutional
3 loans to large cryptocurrency borrowers. Although Voyager gives customers the right to opt
4 out of the Voyager Earn program, there is no similar opt-out provision for this pooling or for
5 Voyager's control rights over the cryptocurrency in their accounts.

6 10. Voyager Earn participants do not engage in substantive Voyager Earn-related
7 activities beyond depositing their cryptocurrency with Voyager and depend mostly or
8 entirely on Voyager and its business efforts to receive these payments. Voyager sets its
9 interest rates on a month-to-month basis with no customer input and has represented to the
10 Division that it generally sets these rates based on "customer acquisition considerations."
11 Voyager funds the Voyager Earn program through its business activities, including revenue
12 from cryptocurrency trading services, revenue from lending to large borrowers, revenue
13 from staking, and revenue from its affiliated cryptocurrency payments services. As a result,
14 Voyager Earn participants' ability to receive interest payments is dependent on the success
15 of Voyager's business.

16 11. Voyager is not, and has never been, registered to sell its securities in the State of
17 Alaska.

18 12. Voyager's failure to register its securities offerings with the appropriate authorities
19 has deprived its customers of material information necessary for a fully informed
20 investment decisions. In particular, Voyager failed to disclose any specifics of its
21 institutional lending activities, including how it locates and evaluates potential borrowers,
22 the interest rate(s) at which it lends to institutional borrowers, the steps it takes to guard
23 against the risk of default, and whether any borrowers have previously defaulted. Voyager
24 also failed to disclose information about the total pool of investor funds used in Voyager

1 Earn, its methods for setting interest rates in Voyager Earn, and the circumstances under
2 which a depositor might be unable to withdraw their funds.

3 THE OFFER AND SALE OF SECURITIES NATIONWIDE

4 13. From at least March 4, 2019 through February 14, 2022 (the “Relevant Period”),
5 Voyager has offered and sold securities in the form of interest-bearing digital asset accounts
6 called Voyager Rewards Accounts and marketed, offered, and sold those securities to
7 Alaska residents.

8 FAILURE TO COMPLY WITH REGISTRATION REQUIREMENTS

9 14. During the Relevant Period, Voyager’s offer and sale of Voyager Rewards
10 Accounts was not done subject to an exception or exemption from registration.

11 15. During the Relevant Period, Voyager offered and sold securities in Alaska that were
12 not registered or permitted for sale in Alaska as required by AS 45.56.100.

13 16. During the Relevant Period, Voyager offered and sold securities in Alaska without
14 being registered as a dealer or agent as required by AS 45.56.300.

15 **II. CONCLUSIONS OF LAW**

16 1. The Voyager Rewards Accounts are “securities” as defined in AS 45.56.900(32).

17 2. During the Relevant Period, Voyager violated AS 45.56.100 by offering and selling
18 securities that were not registered or permitted for sale in Alaska.

19 3. During the Relevant Period, Voyager violated AS 45.56.300 by offering and selling
20 securities in Alaska without being registered as a dealer or agent.

21 4. During the Relevant Period, Voyager violated AS 45.56.500 and AS 45.56.520 by
22 including on its website statements that were materially misleading or otherwise likely to
23 deceive the public concerning its collateral practices and the risks associated with its lending
24 activity.

1 Community and Economic Development, Division of Banking & Securities—a
2 governmental unit as defined under 11 USC§ 101(27)—is expressly excepted from the
3 automatic stay in pursuing enforcement of the State's Securities Act, and in seeking to assess
4 a monetary judgment for such violations. However, so long as the automatic stay is in effect
5 in the Respondent's bankruptcy proceedings, the State of Alaska Department of Commerce
6 Community and Economic Development, Division of Banking & Securities will not seek to
7 execute or collect upon any monetary judgment assessed without first approaching the
8 United States Bankruptcy Court where the Respondent's bankruptcy case is pending as
9 necessary.

10 **No Effect on Governmental Regulatory Authority**

11 For the avoidance of doubt, nothing in the Sale Order or the APA shall authorize or
12 require the transfer of any Assets to a Purchaser unless and until the Purchaser is registered
13 as appropriate with the State of Alaska Department of Commerce Community and
14 Economic Development, Division of Banking & Securities and otherwise complies with all
15 non-bankruptcy law. Nothing in this Order or related documents discharges, releases,
16 precludes, or enjoins: (i) any liability to any governmental unit as defined in 11 U.S.C. §
17 101(27) (“Governmental Unit”); (ii) any liability to a Governmental Unit under police and
18 regulatory statutes or regulations that any entity would be subject to as the owner or
19 operator of property after the date of the closing of the Sale; or (iii) any liability to a
20 Governmental Unit on the part of any Person other than the Debtors. Nor shall anything in
21 this Order or related documents enjoin or otherwise bar a Governmental Unit from asserting
22 or enforcing, outside this Court, any liability described in the preceding sentence. Further,
23 nothing in this Order or related documents authorize the transfer or assignment of any
24 governmental (a) license, (b) permit, (c) registration, (d) authorization or (e) approval, or the

1 discontinuation of any obligation thereunder, without compliance with all applicable legal
2 requirements and approvals under police or regulatory law. Nothing in this Order or related
3 documents shall relieve any entity from any obligation to address or comply with
4 information requests or inquiries from any Governmental Unit. Nothing in this Order or
5 related documents shall affect any setoff or recoupment rights of any Governmental Unit.
6 Nothing in this Order divests any tribunal of any jurisdiction it may have under police or
7 regulatory law to interpret this Order or to adjudicate any defense asserted under this Order.

8 **NOTICE OF INTENT TO IMPOSE CIVIL PENALTIES**

9 Pursuant to AS 45.56.690 and based upon the Findings of Fact and Conclusions of
10 Law, the Administrator intends to order Respondent to pay a civil penalty in the amount of
11 \$1,000,000.00 to the State of Alaska.

12 **NOTICE OF INTENT TO CHARGE COSTS**

13 Pursuant to AS 45.56.800, and based upon the Findings of Fact and Conclusions of
14 Law, the Administrator intends to order that Respondent shall be liable for and shall pay the
15 costs, fees, and other expenses incurred in the administrative investigation of this matter, in
16 an amount not less than \$5,000.

17 **NOTICE OF OPPORTUNITY TO REQUEST A HEARING**

18 Respondent is hereby notified that the foregoing Notice will result in the
19 Administrator presenting and requesting a final order consistent with the above, unless
20 Respondent timely submits a request for a hearing under AS 45.56.690. Such request for
21 hearing must be in writing and submitted to the Administrator within thirty (30) days after
22 the service of this Notice.

23 If Respondent timely requests a hearing, the Administrator will notify the
24 Respondent of the date, time and place of the hearing, as well as the name and contact

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information of the presiding hearing officer.

Any hearing and subsequent proceedings in this matter will be conducted under the Alaska Securities Act (AS 45.56. *et seq*) and associated regulations and the Alaska Administrative Procedures Act (AS 44.64.010 *et seq*) and associated regulations.

Julie Sande, Commissioner
Department of Commerce, Community,
and Economic Development

9/3/22
Date

/s/ Robert H. Schmidt
Robert H. Schmidt, Director
Division of Banking and Securities