In the Matter of: VOYAGER DIGITAL LLC

ORDER NO: 22-70-S
ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO IMPOSE 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,
Voyager customers essentially “deposit” their cryptocurrency with Voyager, assign control rights for the cryptocurrency to Voyager, and earn in-kind interest on the deposited cryptocurrency (for instance, a customer who deposits Bitcoin will receive their interest payments in Bitcoin). Voyager, in turn, lends cryptocurrencies to large borrowers and earns interest on these loans, partly funding the interest payments to Voyager Earn participants.

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

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

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

7. Since October 2019, Voyager has offered the Voyager Earn program, in which users deposit their cryptocurrency in a Voyager account and provide Voyager with the rights
to use the deposited cryptocurrency for various business purposes. In exchange, Voyager
Earn customers receive passive income generated either by Voyager staking cryptocurrency
on its customers’ behalf or by lending the cryptocurrency to large institutional borrowers.
Although these payments function similarly to banks or pooled investment vehicles,
Voyager and its affiliated entities are not registered in these capacities with any relevant
authority and are not protected by organizations such as the Federal Deposit Insurance
Corporation (which protects bank accounts) or the Securities Investor Protection
Corporation (which insures brokerage accounts). On July 2, 2022 the FDIC issued a cease
and desist order demanding that Voyager stop representing that its products are “FDIC

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

9. In its customer agreement, Voyager requires customers to provide it with the
authority to “move, transfer, store, control, and rehypothecate digital assets” in their
Voyager generally pools customers’ cryptocurrency into an omnibus account, which it uses to (a) stake cryptocurrency on customers’ behalf, and (b) facilitate institutional loans to large cryptocurrency borrowers. Although Voyager gives customers the right to opt out of the Voyager Earn program, there is no similar opt-out provision for this pooling or for Voyager’s control rights over the cryptocurrency in their accounts.

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

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

12. Voyager’s failure to register its securities offerings with the appropriate authorities has deprived its customers of material information necessary for a fully informed investment decisions. In particular, Voyager failed to disclose any specifics of its institutional lending activities, including how it locates and evaluates potential borrowers, the interest rate(s) at which it lends to institutional borrowers, the steps it takes to guard against the risk of default, and whether any borrowers have previously defaulted. Voyager also failed to disclose information about the total pool of investor funds used in Voyager
Earn, its methods for setting interest rates in Voyager Earn, and the circumstances under
which a depositor might be unable to withdraw their funds.

THE OFFER AND SALE OF SECURITIES NATIONWIDE

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

FAILURE TO COMPLY WITH REGISTRATION REQUIREMENTS

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

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

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

II. CONCLUSIONS OF LAW

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

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

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

4. During the Relevant Period, Voyager violated AS 45.56.500 and AS 45.56.520 by
including on its website statements that were materially misleading or otherwise likely to
deceive the public concerning its collateral practices and the risks associated with its lending
activity.
5. The foregoing violations of AS 45.56.100 and AS 45.56.300 constitute the basis for the assessment of a civil penalty against Voyager pursuant to AS 45.56.690 (d).

III. ORDER AND NOTICE

1. Pursuant to AS 45.56 and on the basis of the Findings of Fact and Conclusions of Law, the Administrator ORDERS:

2. Voyager to cease and desist from offering or selling the Voyager Rewards Accounts or any security that is not registered, qualified, or exempt to new investors in Alaska and cease and desist accepting further investments or funds in the Voyager Rewards Accounts by current Alaska investors, unless and until the Voyager Rewards Accounts or other securities are registered or otherwise exempt in Alaska.

3. This Order shall be binding upon Voyager, its parent and affiliates, and its respective successors and assigns with respect to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

Penalties Assessed but not Collected

An administrative penalty in the amount of $1,000,000.00 is justified by the facts recited in this Order and considering the factors set forth in the Alaska Securities Act, AS 45.56. On or about July 5, 2022 the Respondent filed a petition for bankruptcy relief pursuant to Title 11, Chapter 11 of the United States Code (“U.S.C.”) in United States Bankruptcy Court for the Southern District of New York. The automatic stay imposed by the Bankruptcy Code—specifically, 11 USC § 362(a)—does not apply to the commencement or continuation of an action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power, by virtue of the exception set out at 11 USC§ 362(b)(4). Accordingly, the State of Alaska Department of Commerce
Community and Economic Development, Division of Banking & Securities—a governmental unit as defined under 11 USC§ 101(27)—is expressly excepted from the automatic stay in pursuing enforcement of the State's Securities Act, and in seeking to assess a monetary judgment for such violations. However, so long as the automatic stay is in effect in the Respondent's bankruptcy proceedings, the State of Alaska Department of Commerce Community and Economic Development, Division of Banking & Securities will not seek to execute or collect upon any monetary judgment assessed without first approaching the United States Bankruptcy Court where the Respondent's bankruptcy case is pending as necessary.

**No Effect on Governmental Regulatory Authority**

For the avoidance of doubt, nothing in the Sale Order or the APA shall authorize or require the transfer of any Assets to a Purchaser unless and until the Purchaser is registered as appropriate with the State of Alaska Department of Commerce Community and Economic Development, Division of Banking & Securities and otherwise complies with all non-bankruptcy law. Nothing in this Order or related documents discharges, releases, precludes, or enjoins: (i) any liability to any governmental unit as defined in 11 U.S.C. § 101(27) (“Governmental Unit”); (ii) any liability to a Governmental Unit under police and regulatory statutes or regulations that any entity would be subject to as the owner or operator of property after the date of the closing of the Sale; or (iii) any liability to a Governmental Unit on the part of any Person other than the Debtors. Nor shall anything in this Order or related documents enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside this Court, any liability described in the preceding sentence. Further, nothing in this Order or related documents authorize the transfer or assignment of any governmental (a) license, (b) permit, (c) registration, (d) authorization or (e) approval, or the
discontinuation of any obligation thereunder, without compliance with all applicable legal
requirements and approvals under police or regulatory law. Nothing in this Order or related
documents shall relieve any entity from any obligation to address or comply with
information requests or inquiries from any Governmental Unit. Nothing in this Order or
related documents shall affect any setoff or recoupment rights of any Governmental Unit.
Nothing in this Order divests any tribunal of any jurisdiction it may have under police or
regulatory law to interpret this Order or to adjudicate any defense asserted under this Order.

NOTICE OF INTENT TO IMPOSE CIVIL PENALTIES

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

NOTICE OF INTENT TO CHARGE COSTS

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

NOTICE OF OPPORTUNITY TO REQUEST A HEARING

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

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