

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

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| IN THE MATTER OF: |) | |
| |) | |
| Voyager Digital, Ltd., |) | ORDER TO CEASE AND DESIST |
| Voyager Digital Holdings, Inc., and |) | Matter No. 20221067 |
| Voyager Digital, LLC, |) | |
| |) | |
| Respondents. |) | |
| _____ |) | |

I. PRELIMINARY STATEMENT

Pursuant to the authority granted to the Securities Commissioner of South Carolina (the “Securities Commissioner”) under the South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101, *et seq.*, and the regulations and rules promulgated thereunder (the “Act”), and delegated to the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Division”) by the Securities Commissioner, the Division conducted an investigation into the securities-related activities of Voyager Digital, Ltd. (the “Parent Company”), Voyager Digital Holdings, Inc. (the “Holding Company”), and Voyager Digital, LLC (the “Subsidiary”) (collectively, “Voyager” or the “Respondents”). In connection with its investigation, the Division has determined that evidence exists to support the Finding of Facts and Conclusions of Law set forth below, and the issuance of this Order to Cease and Desist.

II. JURISDICTION

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

III. RESPONDENTS

2. The Parent Company was incorporated on June 25, 1993, pursuant to the British Columbia Business Corporations Act under the entity name 392838 B.C., Ltd. Thereafter, the Parent Company changed its name to UC Resources, Ltd. on October 31, 2001; to Voyager Digital (Canada), Ltd. on February 6, 2019; and to Voyager Digital, Ltd. on July 16, 2020. The Parent Company's registered office is located at 595 Burrard Street, Suite 2900, Vancouver, BC, V7X 1J5, Canada. The Parent Company's headquarters is located at 33 Irving Place, 3rd Floor, New York, New York 10003.

3. The Holding Company is a Delaware corporation incorporated on January 12, 2018. It is a wholly owned subsidiary of the Parent Company. The Holding Company, formerly known as CryptoTrading Technologies, Inc. and then CryptoTrading Holdings, Inc., serves as the holding company for the Parent Company's subsidiaries formed and operating in the United States, including the Subsidiary.

4. The Subsidiary is a Delaware Limited Liability Company formed on January 23, 2018. It is a wholly owned subsidiary of the Holding Company. The Subsidiary effected a foreign entity filing in South Carolina on April 15, 2021.

5. The Respondents are not presently registered, and they have never been registered, in any capacity, with the Division.

IV. FINDING OF FACTS

A. VOYAGER'S BUSINESS OPERATIONS

6. Voyager operates as a cryptocurrency and other digital asset broker that provides retail and institutional customers with access to its digital platform to buy and sell cryptocurrency

and other digital assets (the “Voyager Platform”), and Voyager offers trade execution, market data, digital wallet, and custody services.

7. The Subsidiary provides Voyager’s user-facing products and services for its customers in the United States.

8. 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 application via smartphone.

9. Voyager generates revenue through cryptocurrency and digital asset trading, proprietary trading, staking, borrowing, and lending, as well as merchant services.

10. According to the Voyager Website, Voyager offers accounts to its customers (collectively, the “Voyager Accounts” and individually, a “Voyager Account”) with the following features:

- a. Custody Feature – provides customers the ability to custody their digital assets on the Voyager Platform;
- b. Trading Feature – provides customers the ability to trade “spot transactions” between fiat and digital assets through the Voyager Platform;
- c. Data Feature – provides customers access to a news feed containing cryptocurrency market news and headlines, as well as cryptocurrency performance, tracking, and charting tools;
- d. Referral Feature – provides customers the ability to earn \$25 worth of Bitcoin for each individual customer referred to Voyager who successfully opens and funds a Voyager Account with a minimum of \$100; and

e. Rewards Program – operates as a payment-in-kind program whereby customers earn digital assets for maintaining a monthly minimum balance of certain digital assets of the same type in their Voyager Account.

11. The Voyager Accounts are subject to certain terms and conditions as set forth in a Customer Agreement (the “Customer Agreement”).

B. THE VOYAGER EARN PROGRAM ACCOUNTS

12. On October 23, 2019, Voyager launched the aforementioned rewards program, initially referred to as the “Voyager Interest Program,” then the “Voyager Rewards Program,” and now the “Voyager Earn Program” (collectively, the “Voyager Earn Program Accounts”), as a feature of all Voyager Accounts, unless the account holder opted out. As the name suggests and as detailed below, the Voyager Earn Program Accounts offered Voyager customers “Rewards” in the form of interest rate incentives for maintaining a certain balance in their Voyager Account.

13. Since, October 23, 2019, the Voyager Earn Program Accounts have been, at least in part, funding Voyager’s income generating activities, including lending operations and proprietary trading, through the offer and sale of unregistered securities in the form of cryptocurrency interest-earning accounts.

14. Voyager offers its Voyager Earn Program Accounts to all U.S. residents, including South Carolinians, over the age of eighteen, except residents of the State of New York, through Voyager’s Website and its smartphone application.

15. Voyager offers and sells its Voyager Earn Program Accounts by soliciting investors to open a Voyager Account by depositing U.S. dollars, eligible cryptocurrencies, or other digital assets into their Voyager Accounts to invest in the Voyager Earn Program Accounts (collectively, the “Earn Program Investors” and individually, an “Earn Program Investor”).

16. Voyager only accepts certain types of cryptocurrencies for deposit in the Voyager Earn Program Accounts.

17. The Voyager Website states that Voyager requires the Earn Program Investors to maintain a specified minimum average monthly cryptocurrency balance for an Earn Program Investor to earn interest on the Voyager Earn Program Account balances. Specific minimum balances for particular types of cryptocurrency are listed on the Voyager Website.

18. For the Earn Program Investors who deposit certain eligible cryptocurrencies in the Voyager Earn Program Accounts, Voyager offers to pay lucrative interest rates denominated in the same type of cryptocurrency or digital asset originally invested. Voyager promotes the interest rates through the Voyager Website, which recently advertised an annual return of “up to 12% Rewards” on certain cryptocurrencies or digital assets for retail investors.

19. The Voyager Earn Program Account “Rewards” rates Voyager advertises are well in excess of the interest rates currently offered for short-term, investment grade, fixed income securities or for bank savings accounts.

20. Although Voyager refers to its payments to the Earn Program Investors as “Rewards,” the term “Rewards” is simply a substitute for interest.

21. The Earn 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.

22. The 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 Earn 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 Customer acknowledges that such Rewards may not be equivalent to benchmark interest rates observed in the market for bank deposit accounts.

23. Voyager sets the interest rates it pays on eligible cryptocurrencies and digital assets in advance, on a periodic basis, and at its sole discretion.

24. The accrual of interest is calculated using a daily periodic rate applied to the principal in a Voyager Earn Program Account and interest is paid the month after it accrues. Interest is payable on or before the fifth business day of each calendar month for the interest accrued the prior month.

25. The current monthly interest rates for the Earn Program Investors are posted on the Voyager Website. Voyager’s interest rates for deposits of certain cryptocurrencies in the Voyager Earn Program Accounts may be “tiered” with specified rates in effect at any time only applied to specified portions of cryptocurrency held in the account. In March 2022, the annual interest rates

on eligible cryptocurrencies ranged from 12% for the “Polkadot” cryptocurrency to 0.5% for the “OMG” cryptocurrency.

26. 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 the Voyager Earn Program Accounts. For example, in March 2022, according to the Voyager Website, Voyager paid 9% annual interest on deposits of the “USDC” cryptocurrency with a minimum balance of 100 USDC.

27. The Customer Agreement discloses the status of cryptocurrency deposited by Earn Program Investors in Paragraph 5.D. of the Customer Agreement, “Consent to Rehypothecate,”:

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.

28. Furthermore, Paragraph 10.A. “Rewards Program – Overview” of the 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 5(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 a Loan, but these Loans are generally unsecured, for a fixed term 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 much Cryptocurrencies are available for such staking and lending.

(emphasis in the original).

29. The Customer Agreement provides that the Earn Program Investor relinquishes control over their deposits and that Voyager takes legal and beneficial ownership of those deposits.

30. Voyager then commingles and pools Earn Program Investors' deposits together to fund its various income generating activities, including investing, proprietary trading, staking, borrowing, or lending to various third parties, including custodians and other financial institutions.

31. Having relinquished control over the deposits in their Voyager Earn Program Accounts, and in exchange for investing in the Voyager Earn Program Account, the Earn Program Investors are passive investors expecting attractive interest rates that are paid monthly in the same type of cryptocurrency or digital assets as originally deposited.

C. THE UNDISCLOSED RISKS

32. Voyager fails to disclose material information necessary for the Earn Program Investors to make an informed decision, including critical material information about the risks associated with purchasing its unregistered securities.

33. Voyager fails to disclose to Earn Program Investors the following material facts regarding the risks associated with its unregistered Voyager Earn Program Accounts, including:

- a. The amount of money, cryptocurrency, or digital assets devoted to permissive uses;
- b. The identity of any borrowers to whom Voyager has lent material amounts of money, cryptocurrency, or digital assets (the "Borrowers");

- c. The nature and creditworthiness of the Borrowers;
- d. The type and nature of transactions involving digital asset exchanges, digital asset staking, or proprietary trading;
- e. The risks associated with digital asset exchanges, individual digital assets, staking protocols, or proprietary traded assets; and
- f. The profits and/or losses derived from transactions effected by Voyager with Earn Program Investors' money.

D. THE LACK OF REGISTRATION AND PUBLIC PROTECTIONS

34. The Respondents are not licensed, registered, qualified, or notice filed with the United State Securities and Exchange Commission.

35. The Voyager Earn Program Account is not registered with the Division or any other securities regulatory authority, nor is it exempt from registration.

36. Voyager fails to disclose to Earn Program Investors that the Voyager Earn Program Account is not currently registered by federal or state securities regulatory authorities.

37. The Respondents are not licensed as a Money Service Business in South Carolina to conduct currency exchange or money transmission activities.

38. The deposits contained in the Voyager Earn 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 the Earn Program 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.

E. SOUTH CAROLINA INVESTORS

39. As of March 1, 2022, Voyager had approximately \$5,061,040,605.00 in assets under management, in approximately 1,530,867 Voyager Earn Program Accounts.

40. As of March 1, 2022, Voyager had approximately \$40,553,832.12 in assets under management, in approximately 21,498 Voyager Earn Program Accounts held by South Carolina residents.

V. CONCLUSIONS OF LAW

41. Paragraphs 1 through 40 are incorporated by reference as though fully set forth herein.

42. The Voyager Earn Program Account is a security as defined in S.C. Code Ann. § 35-1-102(29).

43. The Voyager Earn Program Account was and is required to be registered with the Division pursuant to S.C. Code Ann. § 35-1-301.

44. The Voyager Earn Program Account has not been registered with the Division, is not exempt from registration, and is not a federally covered security.

45. Voyager offered and sold unregistered securities in violation of S.C. Code Ann. § 35-1-301 and continues to do so.

46. Each violation of S.C. Code Ann. § 35-1-301 is a separate violation of the Act.

47. The Respondents' violations of the Act set forth above provide the basis for this Order, pursuant to S.C. Code Ann. §§ 35-1-604.

48. This Order is appropriate and in the public interest, pursuant to the Act.

VI. ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604, it is hereby **ORDERED** that:

- A. Each Respondent and every successor, affiliate, control person, agent, servant, and employee of each of the Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of each of the Respondents shall **CEASE AND DESIST** from transacting business in this State in violation of the Act;
- B. Nothing in this Order shall preclude Voyager from paying interest, also known as “Rewards,” on existing Voyager Earn Program Accounts or refunding principal to the Earn Program Investors consistent with the Voyager Customer Agreement;
- C. The Respondents shall jointly and severally pay a civil penalty in the amount of two million one hundred forty-nine thousand eight hundred dollars (\$2,149,800.00) if this Order becomes effective by operation of law, or, if a Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed \$10,000.00 for each violation of the Act by the Respondent(s).

VII. NOTICE OF OPPORTUNITY FOR HEARING

Each of the Respondents is hereby notified that she/he/it has the right to a formal hearing on the matters contained herein. To schedule a hearing, a Respondent must file with the Division within thirty (30) days after the date of service of this Order, a written Answer specifically requesting a hearing. If any Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a written request, will schedule a hearing for that Respondent. The written request shall be delivered to the Office of the Attorney General, 1000 Assembly Street, Columbia, South

Carolina 29201, or mailed to the Office of the Attorney General, Attention: Securities Division, P.O. Box 11549, Columbia, South Carolina 29211-1549.


In the written Answer, a Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, the Respondent shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of the right to such a hearing. Failure by a Respondent to file an Answer, including a request for a hearing, shall result in this Order's becoming final by operation of law. The regulations governing the hearing process can be found at S.C. Code of Regulations § 13-604.

This Order does not prevent the Division or any law enforcement agency from seeking additional civil or criminal remedies as are available under the Act, including remedies related to the offers and sales of securities by the Respondents set forth above.

ENTERED, this the 6 day of April, 2022.

ALAN WILSON
SECURITIES COMMISSIONER

By: 
JONATHAN B. WILLIAMS
Assistant Deputy Attorney General