

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

IN THE MATTER OF:)	
)	
Plutus Financial, Inc. d/b/a Abra;)	ORDER TO CEASE AND DESIST
Plutus Lending, LLC; and)	Matter No. 20225297
Abra Boost, 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 (collectively, 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 Plutus Financial, Inc. d/b/a Abra (“Plutus Financial”), Plutus Lending, LLC (“Plutus Lending”), and Abra Boost, LLC (“Abra Boost”) (collectively, “Abra” or the “Respondents”). In connection with its investigation, the Division has determined that evidence exists to support the Findings of Fact 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. RELEVANT PERIOD

2. Except as otherwise expressly stated, the conduct described herein occurred between July 1, 2020, and the present (the “Relevant Period”).

IV. RESPONDENTS

3. Plutus Financial is a Delaware corporation formed on July 1, 2014, with its principal place of business at 1000 N. West Street, Suite 1200, Wilmington, Delaware 19801. Plutus Financial is a subsidiary of Plutus Financial Holdings, Inc. Plutus Financial provides customers with a digital platform to buy, sell, borrow, trade, and deposit virtual currency through its mobile phone application (the “Abra App.”). Plutus Financial is not registered to do business in South Carolina and is not registered with the Division in any capacity.

4. Plutus Lending is a Delaware limited liability company formed on May 29, 2020, with its principal place of business at 3715 Northside Parkway, Building 100 Suite 500, Atlanta, Georgia 30327. Plutus Lending is a wholly owned subsidiary of Plutus Financial that lends out virtual currency to institutional borrowers on behalf of its parent company. Plutus Lending is not registered with the Division in any capacity.

5. Abra Boost is a Delaware limited liability company formed on September 28, 2022, with its principal place of business at 1000 N. West Street, Suite 1200, Wilmington, Delaware 19801. Abra Boost is a subsidiary of Plutus Financial Holdings, Inc. Abra Boost is not registered to do business in South Carolina and is not registered with the Division in any capacity.

6. Abra conducts its business on its public website accessible at <https://www.abra.com> (“Abra’s Website”) and through the Abra App.

V. RELATED PARTIES

7. Prime Trust, LLC (“Prime Trust”) is a Nevada limited liability company formed on April 13, 2016, with its principal place of business in Las Vegas, Nevada. Prime Trust provides

API-driven¹ open banking solutions for mobile apps and exchanges, customer onboarding, asset custody, and transaction settlement solutions. Abra engaged Prime Trust as custodian of the assets in Abra’s interest-bearing cryptocurrency accounts.

VI. FINDINGS OF FACT

A. Overview

8. From approximately July 28, 2020, until October 3, 2022, Abra offered an interest-bearing cryptocurrency account called Abra Earn (individually, the “Earn Account,” collectively, the “Earn Accounts”) to South Carolina residents. The Earn Account was a “consumer-facing product” available to anyone in the United States over the age of eighteen except for residents of the state of New York. The Earn Account enabled investors to passively earn interest on deposited virtual currency in their respective Earn Accounts. Abra generated the revenue used to pay this interest largely by lending customers’ virtual currency to institutional borrowers.

9. On October 3, 2022, Abra ceased offering the Earn Account to new investors and began offering a new interest-bearing digital asset depository account for accredited and institutional investors called Abra Boost (individually, the “Boost Account,” collectively, the “Boost Accounts”). The Boost Account is available to all accredited and institutional investors in the United States, including South Carolina investors, and is available to all accredited and unaccredited individual and institutional investors outside of the United States.

10. As of May 17, 2023, there were at least 128 South Carolina Earn Accounts earning interest with a total value of \$433,683.94. Overall, there were approximately 9,087 Earn Accounts earning interest with a total value of \$66,833,620.81.

¹ API is an acronym for Application Programming Interface. In general, an API is an interface that allows two unrelated systems to interact with each other. Specifically for virtual currency trading, an API enables someone to interact with an exchange programmatically via software instead of a human interface.

11. As of May 17, 2023, there were at least 3 South Carolina Boost Accounts earning interest with a total value of \$736,552.26. Overall, there were approximately 229 Boost Accounts earning interest with a total value of \$49,965,549.45.

B. The Abra Earn Accounts

12. Abra offered the Earn Accounts to the public through the Abra Website and the Abra App. On the Abra Website, Abra asserted that the Earn Accounts could be thought of as “high-yield savings accounts for crypto.” Abra further asserted that customers could earn up to 13% APY (as of March 30, 2021) on virtual currency deposited into an Earn Account. Abra accepted and paid interest on several types of virtual currencies, including cryptocurrencies such as Bitcoin, Ethereum, and Litecoin, and stablecoins such as USD Coin (“USDC”) and Tether (“USDT”).²

13. Abra required its customers to complete a multi-step sign-up process for an Earn Account. First, customers had to download the Abra App. Customers then had to sign up for an Abra Trade Account (the “Trade Account”). As part of the sign-up process for a Trade Account, Abra required Earn Account customers to accept, among other things, the “Abra Interest Account Terms” (the “Terms”). Abra also verified the customer’s identity as part of the Trade Account application process to comply with applicable “Know Your Customer” (“KYC”) and anti-money laundering laws and regulations.

14. Abra customers also completed an application with Prime Trust to open an Earn Account. Prime Trust conducted its own KYC process independently of Abra for each Earn Account customer. After customers were approved by Prime Trust, Earn Accounts were opened for them at Prime Trust, which provided digital asset custodial services for Abra.

² A stablecoin is a type of virtual currency whose value is pegged to a particular fiat currency, such as the U.S. dollar. This theoretically makes the stablecoin less volatile compared to other virtual currencies.

15. Customers approved for Earn Accounts were allowed access to an “Abra Wallet,” a software that allowed customers to store, use, and manage virtual currencies. Customers deposited supported virtual currencies into their Earn Accounts by moving virtual currency assets held in their Abra Wallets to their Earn Accounts, which were held by Prime Trust.

16. Abra required that Earn Account customers agree to give up certain rights to their virtual currency when they accepted Abra’s Terms. Specifically, Abra required that Earn Account customers agree to let Abra hold the virtual currency in Abra’s name. Abra also required that Earn Account customers agree to let Abra “pledge, repledge, hypothecate, rehypothecate, sell, lend, or otherwise transfer or use any amount of such cryptocurrency.” Abra determined how Earn Account customers’ virtual currencies were deployed. Earn Account customers had no control over how their virtual currencies were invested.

17. Abra paid Prime Trust a fee in order to access the virtual currency in its customers’ Earn Accounts. After customers made deposits into their Earn Accounts, Prime Trust batched those deposits into a reserve account, where they were made available to Abra. Abra used the funds in its reserve account for various income-generating activities. Abra used the majority of the funds to make loans to institutional borrowers. Abra also used the funds in its reserve account for other types of investments, including arbitrage, exchange funds, and yield farming. Abra used the proceeds generated from these income-generating activities to pay interest to Earn Account holders.

18. Abra set Earn Account interest rates and credited Earn Account customers with earned interest on a weekly basis. According to Abra, interest rates were based on market demand for the particular virtual currencies.

19. Abra allowed customers to withdraw their virtual currency from their Earn Accounts at any time, subject to a processing time of up to 7 days. Unlike bank or brokerage accounts, which are generally FDIC- and SIPC-insured, respectively, the Earn Accounts were not insured against losses by customers.

C. The Abra Boost Accounts

20. On October 3, 2022, Abra ceased accepting new customers for the Earn Account and ceased accepting new deposits from Earn Account customers that were not institutional or accredited investors.

21. Additionally, on October 3, 2022, Abra began offering Boost Accounts for all institutional investors and accredited investors in the United States. Moreover, all institutional investors' and accredited investors' Earn Accounts were transitioned to Boost Accounts.

22. Although Abra ceased accepting new deposits into Earn Accounts and new Earn Account customers, Abra did not return Earn Account assets to those customers. Therefore, Earn Account customers that were not transitioned to Boost Accounts and had not yet withdrawn their digital assets from their Earn Accounts have continued to earn interest on their investments since October 3, 2022.

23. On December 29, 2022, Abra Boost filed with the United States Securities and Exchange Commission a Form D Notice of Exempt Offering of Securities. Abra Boost subsequently filed the Notice Filing with the Division on January 19, 2023.

24. Abra continues to promote the Boost Accounts through the Abra Website and Abra App. As of May 17, 2023, Abra advertises that Boost Account investors can expect to earn up to 10% interest, compounded daily, on their digital assets invested in Boost Accounts.

25. Currently, Abra continues to offer and sell Boost Accounts to institutional and accredited investors in the United States, including residents of South Carolina.

D. Material Misrepresentations

26. In offering Earn Accounts to South Carolina residents, Abra failed to disclose material aspects of its business that could have impacted Earn Accounts, including, but not limited to:

- a. The types of investments, trades, and hedging activities that it engaged in with Earn Account customers' virtual currencies;
- b. The identities and creditworthiness of the institutions that borrowed Earn Account virtual currencies;
- c. Information describing defaults on loans funded with assets through the Earn Accounts;
- d. Information related to Abra's financial state;
- e. The investigations conducted by state securities regulators;
- f. That Abra is not licensed as a money services business in South Carolina, is not registered to offer or sell securities in South Carolina, and has not obtained registrations for securities offered and sold in South Carolina; and
- g. The potential public and private causes of action and liabilities that may result from the unregistered and unlicensed activity.

27. In offering Boost Accounts to South Carolina residents, Abra failed to disclose material aspects of its business that could have impacted Boost Accounts, including, but not limited to:

- a. The types of investments, trades, and hedging activities that it engages in with Boost Account customers' virtual currencies;
- b. The procedures adopted by Abra to ascertain the creditworthiness and risks associated with institutions that borrow Boost Account virtual currencies;
- c. The identities and creditworthiness of the institutions that borrow Boost Account virtual currencies;
- d. Information describing defaults on loans funded with assets through the Earn Accounts and Boost Accounts;
- e. That Abra is not licensed as a money services business in South Carolina, is not registered to offer or sell securities in South Carolina, and has not obtained registrations for securities offered and sold in South Carolina;
- f. The potential public and private causes of action and liabilities that may result from the unregistered and unlicensed activity; and
- g. Information relating to Earn Accounts, the risk of liabilities tied to prior sales of Earn Accounts, and the financial consequences of liabilities to Boost Account investors.

28. The Abra Website contains a statement attributable to Abra's Chief Executive Officer that explains there was "no exposure to FTX and Alameda" and that he ... can report that Abra's retail, lending and private crypto wealth management businesses don't have any exposure to Alameda and have no material exposure to FTX or the FTT token. Abra did use FTX for some trading activities. We moved most assets off of FTX and hedged our exposure on those that remain.

29. In fact, as of February 2023, a subsidiary of Abra had more than \$12,000,000 at FTX.

30. Moreover, Abra and/or subsidiaries have held or currently hold various other impaired and illiquid assets, including approximately \$29,700,000 owed by Babel Finance, approximately \$8,800,000 owed by Auros Tech Limited, approximately \$30,000,000 owed by Genesis, and approximately \$10,000,000 owed by Three Arrows Capital.

E. Registration Status

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

VII. CONCLUSIONS OF LAW

32. Paragraphs 1 through 31 are incorporated by reference as though fully set forth herein.

33. The Earn Account and Boost Account are securities as defined in S.C. Code Ann. § 35-1-102(29).

34. Pursuant to S.C. Code Ann. § 35-1-301, it is unlawful for a person to offer or sell a security in this State unless: (1) the security is a federal covered security; (2) the security, transaction, or offer is exempted from registration under Sections 35-1-201 through 35-1-203; or (3) the security is registered under this chapter.

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

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

37. The Respondents offered and sold unregistered securities in violation of S.C. Code Ann. § 35-1-301.

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

39. Pursuant to S.C. Code Ann. § 35-1-501, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly: (1) to employ a device, scheme, or artifice to defraud; (2) to make untrue statements of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or (3) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

40. The conduct of Respondents, as alleged in paragraphs 26 through 30, *supra*, constitutes violations of S.C. Code Ann. § 35-1-501.

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

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

VIII. ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), 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. The Respondents shall jointly and severally pay a civil penalty in the amount of thirty-two thousand eight hundred dollars (\$32,800.00) 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 ten thousand dollars (\$10,000.00) for each violation of the Act by the Respondent(s); and

IX. NOTICE OF OPPORTUNITY FOR HEARING

Each of the Respondents is hereby notified that 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 the 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.

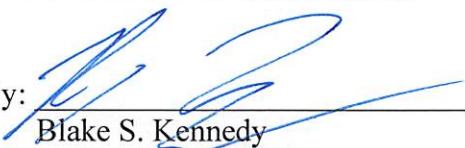
Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of the right to such a hearing. Failure by a Respondent to file an Answer, including a request for a hearing, shall result in this 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 agency from seeking additional 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 15th day of June, 2023.

ALAN WILSON
SECURITIES COMMISSIONER

By:



Blake S. Kennedy
Assistant Attorney General