ADMINISTRATIVE PROCEEDING BEFORE THE SECURITIES COMMISSIONER OF SOUTH CAROLINA

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. <u>JURISDICTION</u>

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

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

- 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

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

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. <u>CONCLUSIONS OF LAW</u>

- 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 under m9 6df 35-1-102(29).

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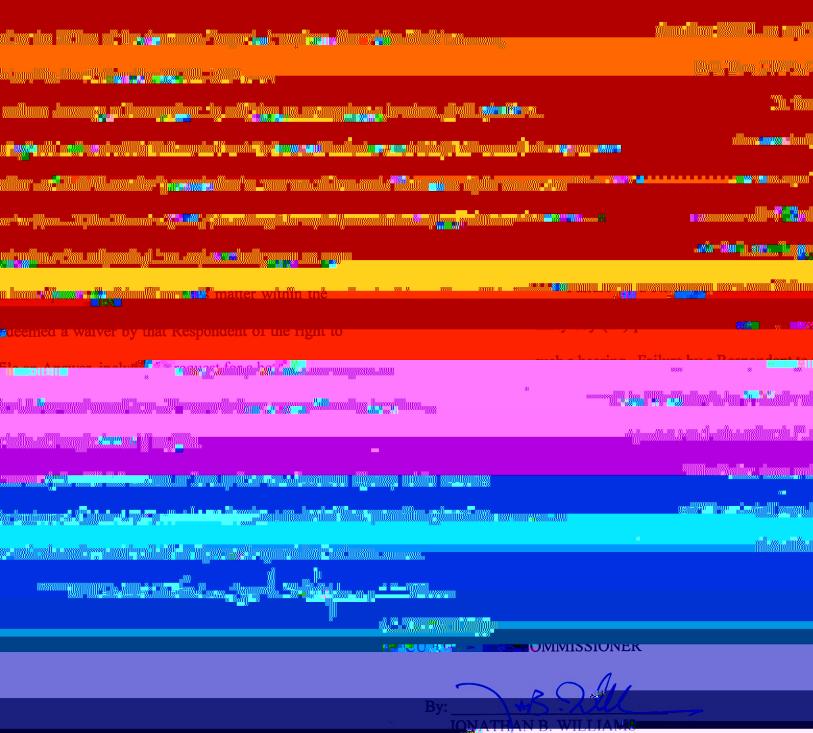
VI. ORDER

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



Assistant Deputy Attorney General