

ORDER SUMMARY – Case Number: C-22-3488

Name(s): BlockFi Trading LLC
Order Number: C-22-3488-22-FO01
Effective Date: 12/16/2022
License Number: 1873137
Or NMLS Identifier [U/L] _____
License Effect: N/A

Not Apply Until: N/A
Not Eligible Until: N/A
Prohibition/Ban Until: N/A

| | | | | |
|---|----|-----|---|------|
| Investigation Costs | \$ | | Paid <input type="checkbox"/> Y <input type="checkbox"/> N | Date |
| | | | | |
| Fine | \$ | Due | Paid <input type="checkbox"/> Y <input type="checkbox"/> N | Date |
| | | | | |
| Assessment(s) | \$ | Due | Paid <input type="checkbox"/> Y <input type="checkbox"/> N | Date |
| | | | | |
| Restitution | \$ | Due | Paid <input type="checkbox"/> Y <input type="checkbox"/> N | Date |
| | | | | |
| Financial Literacy and Education | \$ | Due | Paid <input type="checkbox"/> Y <input type="checkbox"/> N | Date |
| | | | | |
| Cost of Prosecution | \$ | Due | Paid <input type="checkbox"/> Y <input type="checkbox"/> N | Date |
| No. of Victims: | | | | |

Comments: Final Order to Cease and Desist and take affirmative actions.

1
2
3
4
5
6
7
8

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Uniform Money Services Act of Washington by:

NO. C-22-3488-22-FO01

BLOCKFI TRADING, LLC, D/B/A BLOCKFI,
NMLS NO. 1873137,

FINAL ORDER TO CEASE AND DESIST

Respondent.

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I. DIRECTOR'S CONSIDERATION

A. Default. This matter has come before the Director of the Department of Financial Institutions of the State of Washington (Director), through his designee, Consumer Services Division Director Lucinda Fazio, pursuant to RCW 34.05.440(1). On November 18, 2022, the Director, through Consumer Services Division Director Lucinda Fazio, entered a Temporary Order to Cease and Desist against Respondent BlockFi Trading, LLC d/b/a BlockFi. A true copy of the Temporary Order to Cease and Desist is attached and incorporated into this order by this reference. The Temporary Order to Cease and Desist was accompanied by a cover letter dated November 18, 2022, a Notice of Opportunity to Defend and Opportunity for Hearing, and a blank Application for Adjudicative Hearing for Respondent BlockFi Trading, LLC d/b/a BlockFi. The Department served Respondent BlockFi Trading, LLC d/b/a BlockFi with the Temporary Order to Cease and Desist, cover letter dated November 18, 2022, Notice of Opportunity to Defend and Opportunity for Hearing, and blank Application for Adjudicative Hearing for Respondent BlockFi Trading, LLC d/b/a BlockFi on November 18, 2022, by First-Class mail and Federal Express overnight delivery.

1 Respondent BlockFi Trading, LLC d/b/a BlockFi's Application for Adjudicative Hearing
2 was due no later than December 8, 2022. However, the Department did not receive Respondent
3 BlockFi Trading, LLC d/b/a BlockFi's Application for Adjudicative Hearing by December 8,
4 2022. Instead, Respondent BlockFi Trading, LLC d/b/a BlockFi filed a response with the
5 Department on December 9, 2022, that it does not request an adjudicative hearing in this matter.
6 Consequently, Respondent BlockFi Trading, LLC d/b/a BlockFi did not request an adjudicative
7 hearing within 20 calendar days after the Department served it with the Notice of Opportunity to
8 Defend and Opportunity for Hearing, as provided for in WAC 208-08-050(2).

9
10 B. Record Presented. The record presented to the Director's designee for his review
11 and for entry of a final decision included the following:

- 12 1. Temporary Order to Cease and Desist, cover letter dated November 18, 2022, Notice
13 of Opportunity to Defend and Opportunity for Hearing, and blank Application for
14 Adjudicative Hearing for BlockFi Trading, LLC d/b/a BlockFi, with documentation
15 of service;
- 16 2. Application for Adjudicative Hearing (indicating that Respondent BlockFi
17 Trading, LLC d/b/a BlockFi does not request a hearing) for BlockFi Trading, LLC
18 d/b/a BlockFi received December 9, 2022.

19 C. Factual Findings and Grounds For Order. Pursuant to RCW 34.05.440(1), the
20 Director's designee hereby adopts the Temporary Order to Cease and Desist, which is attached hereto.

21 II. FINAL ORDER

22 Based upon the foregoing, and the Director's designee having considered the record and
23 being otherwise fully advised, NOW, THEREFORE:

24 A. IT IS HEREBY ORDERED that Respondent BlockFi Trading, LLC d/b/a BlockFi
25 shall permanently cease and desist accepting any new business or new assets for Washington
residents. Respondent BlockFi Trading, LLC d/b/a BlockFi shall not resume its money transmitter
business in Washington without the Department's approval. This does not prohibit Respondent

1 BlockFi Trading, LLC d/b/a BlockFi from allowing Washington residents to withdraw their digital
2 assets.

3 It is FURTHER ORDREED Respondent BlockFi Trading, LLC d/b/a BlockFi shall
4 cooperate with the Department and provide full access to information and records at the request of
5 the Department, place and hold all digital assets deposited by or obligated to retail customers in a
6 secure and segregated trust arrangement, and obtain and maintain an adequate surety bond, or renew
7 its current bond. This order shall take effect immediately and shall remain in effect unless set
8 aside, limited, or suspended in writing by an authorized court.
9

10 B. Reconsideration. Pursuant to RCW 34.05.470, Respondent BlockFi Trading, LLC
11 d/b/a BlockFi has the right to file a Petition for Reconsideration stating the specific grounds upon
12 which relief is requested. The Petition must be filed in the Office of the Director of the Department of
13 Financial Institutions by courier at 150 Israel Road SW, Tumwater, Washington 98501, or by U.S.
14 Mail at P.O. Box 41200, Olympia, Washington 98504-1200, within ten days of service of the Final
15 Order upon Respondent BlockFi Trading, LLC d/b/a BlockFi. The Petition for Reconsideration shall
16 not stay the effectiveness of this order nor is a Petition for Reconsideration a prerequisite for seeking
17 judicial review in this matter.

18 A timely Petition for Reconsideration is deemed denied if, within 20 days from the date the
19 petition is filed, the agency does not (a) dispose of the petition or (b) serve the parties with a written
20 notice specifying the date by which it will act on a petition.
21

22 C. Stay of Order. The Director's designee has determined not to consider a Petition to
23 Stay the effectiveness of this order. Any such requests should be made in connection with a Petition
24 for Judicial Review made under chapter 34.05 RCW and RCW 34.05.550.

25 D. Judicial Review. Respondent BlockFi Trading, LLC d/b/a BlockFi has the right to
petition the superior court for judicial review of this agency action under the provisions of chapter

1 34.05 RCW. For the requirements for filing a Petition for Judicial Review, see RCW 34.05.510 and
2 sections following.

3 E. Service. For purposes of filing a Petition for Reconsideration or a Petition for Judicial
4 Review, service is effective upon deposit of this order in the U.S. mail, declaration of service attached
5 hereto.

6
7 DATED this 16th day of DECEMBER, 2022.



STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS

12
13
14
15
16
17
18
19
20
21
22
23
24
25

/s/
LUCINDA FAZIO, Director
Division of Consumer Services

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
CONSUMER SERVICES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Uniform Money Services Act of Washington by:

BLOCKFI TRADING, LLC D/B/A BLOCKFI,
NMLS NO. 1873137,

Respondent.

NO. C-22-3488-22-TD01

TEMPORARY ORDER TO
CEASE AND DESIST

THE STATE OF WASHINGTON TO: BlockFi Trading, LLC d/b/a BlockFi

COMES NOW the Director of the Washington State Department of Financial Institutions (Director), by and through his designee Lucinda Fazio, Division of Consumer Services Director (designee), and finding that the public is likely to be substantially injured by delay in issuing a cease and desist order, enters this temporary order to cease and desist pursuant to chapter 19.230 RCW, the Uniform Money Services Act (Act), based upon the following:

I. FACTUAL ALLEGATIONS

1.1 Respondent. BlockFi Trading, LLC d/b/a BlockFi (Respondent) is a money transmitter located in Jersey City, New Jersey. Respondent was licensed by the Department of Financial Institutions' Division of Consumer Services (Department), to conduct business as a money transmitter on or about December 4, 2019, and continues to be licensed as of the date of this Temporary Order to Cease and Desist (Order).

1.2 Unsafe and Unsound Practices.

A. Suspended Payment of Obligations. As of November 10, 2022, Respondent suspended payments of its obligations to its customers. Respondent limited their

1 platform activity, preventing customers from transferring or withdrawing their digital assets
2 (virtual currency) stored on the platform.

3 **B. Commingled Client Assets.** Between March 4, 2019, and February
4 14, 2022, Respondent offered customers interest-bearing virtual currency accounts. As of
5 February 14, 2022, Respondent no longer offered interest-bearing accounts to US residents
6 and disallowed current account holders to add funds to their interest-bearing accounts, but
7 allowed current customers to retain those accounts. Respondent pooled these account
8 holders' digital assets and used them to generate income. As of December 31, 2021, with
9 respect to the interest-bearing accounts, Respondent and its affiliates held approximately
10 \$391,968,000 of Washington residents' digital assets.
11

12 **1.3 Bond Cancelled.** On November 14, 2022, the insurance company that issued
13 Respondent's surety bond notified the Department that the bond would be cancelled on or
14 about December 15, 2022.

15 **II. GROUNDS FOR ENTRY OF ORDER**

16 **2.1** Based upon the facts set forth in Section I above, Respondent is in violation of
17 RCW 19.230.340(2) by engaging in an unfair or deceptive practice, including engaging in
18 conduct which creates the likelihood of material loss, insolvency, or dissipation of the
19 licensee's assets, or otherwise materially prejudices the financial condition of the licensee or
20 the interests of its customers. *See* RCW 19.230.010(29).
21

22 **2.2** Based upon the facts set forth in Section I above, Respondent is in violation of
23 RCW 19.230.050(4) for failing to maintain a surety bond that covers claims for at least five
24 years after the date of Respondent's violation of the Act, or at least five years after the date
25 Respondent ceases to provide money services in Washington, whichever is longer.

1 **III. AUTHORITY TO ISSUE TEMPORARY ORDER TO CEASE AND DESIST**

2 **3.1 Authority to Issue Temporary Order to Cease and Desist.**

3 Pursuant to RCW 19.230.260, the Director is authorized to issue a temporary order to cease
4 and desist whenever the Director determines that a violation of this chapter or of a rule
5 adopted or an order issued under this chapter by a licensee, authorized delegate, or other
6 person subject to this chapter is likely to cause immediate and irreparable harm to the
7 licensee, its customers, or the public as a result of the violation, or cause insolvency or
8 significant dissipation of the assets of the licensee. The director may issue a temporary order
9 to cease and desist requiring the licensee, authorized delegate, or other person subject to this
10 chapter to cease and desist from conducting business in this state or to cease and desist from
11 the violation or undertake affirmative actions as are necessary to comply with this chapter,
12 any rule adopted under this chapter, or order issued by the director under this chapter. The
13 order is effective upon service upon the licensee, authorized delegate, or other person subject
14 to this chapter.
15

16 **IV. FINDINGS AND ORDER**

17 Based upon the above facts, Grounds for Entry of Order, and Authority to Issue
18 Temporary Order to Cease and Desist, and pursuant to RCW 19.230.260, the Director
19 determines Respondent’s conduct set forth in Section I above is likely to cause immediate
20 and irreparable harm to the licensee, its customers, or the public as a result of the violations.
21

22 Therefore, the Director ORDERS that:

23 **4.1** Respondent BlockFi Trading, LLC d/b/a BlockFi shall immediately cease and
24 desist accepting any new business or new assets for Washington residents. Respondent
25 BlockFi Trading, LLC d/b/a BlockFi shall not resume its money transmitter business in

1 Washington without the Department’s approval. This does not prohibit Respondent BlockFi
2 Trading, LLC d/b/a BlockFi from allowing Washington residents to withdraw their digital
3 assets.

4 **4.2** Respondent BlockFi Trading, LLC d/b/a BlockFi shall undertake the
5 following affirmative actions:

- 6 **A.** Cooperate with the Department and provide full access to information
7 and records at the request of the Department.
- 8 **B.** Place and hold all digital assets deposited by or obligated to retail
9 customers in a secure and segregated trust arrangement.
- 10 **C.** Obtain and maintain an adequate surety bond, or renew its current
11 bond.
12

13 **4.3** This order shall take effect immediately and shall remain in effect unless set
14 aside, limited, or suspended in writing by an authorized court.

15 **NOTICE**

16 PURSUANT TO CHAPTER 19.230 RCW, YOU ARE ENTITLED TO A HEARING
17 TO DETERMINE WHETHER THIS ORDER SHALL BECOME PERMANENT. IF YOU
18 DESIRE A HEARING, THEN YOU MUST RETURN THE ATTACHED APPLICATION FOR
19 ADJUDICATIVE HEARING INCORPORATED HEREIN BY THIS REFERENCE.
20 FAILURE TO COMPLETE AND RETURN THE APPLICATION FOR ADJUDICATIVE
21 HEARING FORM SO THAT IT IS RECEIVED BY THE DEPARTMENT OF FINANCIAL
22 INSTITUTIONS WITHIN TWENTY (20) DAYS OF THE DATE THAT THIS ORDER WAS
23 SERVED ON YOU WILL CONSTITUTE A DEFAULT AND WILL RESULT IN THE LOSS
24 OF YOUR RIGHT TO A HEARING. SERVICE ON YOU IS DEFINED AS POSTING IN

1 THE U.S. MAIL, POSTAGE PREPAID, TO YOUR LAST KNOWN ADDRESS. BE
2 ADVISED THAT DEFAULT WILL RESULT IN THIS ORDER TO CEASE AND DESIST
3 BECOMING PERMANENT ON THE TWENTY-FIRST (21ST) DAY FOLLOWING
4 SERVICE OF THIS ORDER UPON YOU.

5 WITHIN TEN DAYS AFTER YOU HAVE BEEN SERVED WITH THIS
6 TEMPORARY ORDER TO CEASE AND DESIST, YOU MAY APPLY TO THE
7 SUPERIOR COURT IN THE COUNTY OF YOUR PRINCIPAL PLACE OF BUSINESS
8 FOR AN INJUNCTION SETTING ASIDE, LIMITING, OR SUSPENDING THIS ORDER
9 PENDING THE COMPLETION OF THE ADMINISTRATIVE PROCEEDINGS
10 PURSUANT TO THIS NOTICE.

11
12 DATED this 18th day of NOVEMBER, 2022.



15 /s/
16 LUCINDA FAZIO, Director
17 Division of Consumer Services
18 Department of Financial Institutions

19 Presented by:

20 /s/
21 AMANDA B. STARNES
22 Financial Legal Examiner

23 Approved by:

24 /s/
25 JACK McCLELLAN
26 Enforcement Chief

TEMPORARY ORDER TO CEASE AND DESIST 5
C-22-3488-22-TD01
BLOCKFI TRADING, LLC D/B/A BLOCKFI

DEPARTMENT OF FINANCIAL INSTITUTIONS
Division of Consumer Services
150 Israel Rd SW
PO Box 41200
Olympia, WA 98504-1200
(360) 902-8703