

1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING  
5 Whether there has been a violation of the  
6 Securities Act of Washington by:

Order No. S-21-3172-23-CO01

CONSENT ORDER

7 TRADESTATION CRYPTO, INC.,  
8  
9 Respondent.

10 **INTRODUCTION**

11 WHEREAS TradeStation Crypto, Inc. (hereinafter “TCI”) is part of a group of companies that engage  
12 in financial services;

13 WHEREAS, TCI has offered, and continues to offer, digital asset trading accounts to clients to  
14 purchase and sell digital assets;

15 WHEREAS, from approximately August 2020 until June 30, 2022, TCI’s digital asset trading accounts  
16 had a feature that accrued and paid interest to customers on certain digital asset balances in their accounts (the  
17 “Interest Feature”);

18 WHEREAS state securities regulators, as part of a North American Securities Administrators  
19 Association (“NASAA”) Working Group that includes regulators from the states of Alabama, California,  
20 Mississippi, North Carolina, Ohio, South Carolina, Washington, and Wisconsin (the “NASAA Working  
21 Group”), have conducted an investigation into whether the Interest Feature involved the offer and sale of  
22 unregistered securities by TCI to retail investors, among other things; and

23 WHEREAS, without admitting or denying any findings of fact or conclusions of law, TCI has reached  
an agreement with the NASAA Working Group to resolve the investigation with respect to the 47 states, the

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 41200  
Olympia, WA 98504-1200  
360-902-8760

1 District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands (collectively, the “51 Jurisdictions”) as  
2 follows:

3 TCI has advised the NASAA Working Group of its agreement to resolve the securities investigation  
4 pursuant to the terms specified in this Consent Order (the “Order”) and pursuant to the multistate resolution  
5 recommended by the NASAA Working Group;

6 TCI shall cease and desist offering, selling, or renewing the Interest Feature or any security that is not  
7 registered, qualified, or exempt to new clients in the 51 Jurisdictions, unless and until the Interest Feature or  
8 other securities are registered, qualified, or otherwise exempt;

9 As of the date of entry of this Order, TCI has amended and updated the terms of service, and any other  
10 terms or conditions of TCI’s relationship with residents of the 51 Jurisdictions, to reflect that such residents  
11 are the title, beneficial, and legal owners of all assets held in their digital asset trading accounts with TCI;

12 TCI shall pay up to a total of one million five hundred thousand dollars (\$1,500,000) in settlement  
13 payments divided equally among the 51 Jurisdictions and paid to each of the 51 Jurisdictions that enter into a  
14 consent order pursuant to the terms of TCI’s agreement with the NASAA Working Group;

15 TCI admits to the jurisdiction of the Washington State Department of Financial Institutions  
16 (hereinafter “WA DFI”) in this matter;

17 TCI elects to permanently waive any right to a hearing and appeal under Chapter 34.05 RCW, with  
18 respect to the entry of this Order; and

19 Solely for the purpose of terminating the NASAA Working Group’s securities investigation and in  
20 settlement of the issues contained in this Order, TCI, without admitting or denying the findings of fact or  
21 conclusions of law contained herein, consents to the entry of this Order. Notwithstanding the foregoing, TCI  
22 will admit to the findings of fact and conclusions of law solely for the purposes of exceptions to discharge in  
23

1 bankruptcy proceedings under any jurisdiction, including the proceedings set forth in Sections 523 and 1192  
2 of the Bankruptcy Code, 11 U.S.C. §§ 523; 1192 (1978).

3 Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and TradeStation  
4 Crypto, Inc. do hereby enter into this Consent Order in settlement of the matters alleged herein. TradeStation  
5 Crypto, Inc. neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

6 **I. FINDINGS OF FACT**

7 1. WA DFI has jurisdiction over this matter pursuant to the Securities Act of Washington, RCW  
8 21.20.

9 2. TCI is a Florida corporation that was formed in June 2018 and is in the business of providing  
10 online digital asset trading accounts to self-directed retail and institutional investors and traders for the purpose  
11 of buying, selling, trading, and holding certain digital assets, which today includes Bitcoin (BTC), Ether (ETH)  
12 and USD Coin (USDC).

13 3. TCI is a subsidiary of TradeStation Group, Inc., which is headquartered in Plantation, Florida.  
14 Since 2011, TradeStation Group, Inc. has been a wholly owned subsidiary of Monex Group, Inc. (“Monex”),  
15 a publicly traded Japanese corporation listed on the Tokyo Stock Exchange. TradeStation Group, Inc. is also  
16 the parent company of TradeStation Securities, Inc., and TradeStation Technologies, Inc., which also have  
17 their principal place of business in Plantation, Florida.

18 4. TCI is a registered Virtual Currency Licensee and Money Transmitter Licensee including  
19 Currency Exchange with the WA DFI, Division of Consumer Services (License number 550-MT-118785).

20 5. These affiliates, specifically TCI, TradeStation Securities, Inc., and TradeStation Technologies,  
21 Inc., all use brand messaging under the “TradeStation” trademark to advertise their respective platforms and  
22 services.

1 *The Offer and Sale of Securities in Washington and Nationwide*

2 6. TCI began offering its digital asset trading accounts in or around November 16, 2019, to  
3 Washington residents. From August 1, 2020, to June 30, 2022 (the “Offering Period”), TCI offered the Interest  
4 Feature to at least 366 Washington investors. Through the Interest Feature, TCI paid interest to customers  
5 who held digital asset balances in their TCI digital asset trading accounts. To pay the interest, TCI generated  
6 revenue through lending both firm-owned and customer-owned digital assets to institutional borrowers, from  
7 commissions earned by TCI customer trading activity in their digital asset trading accounts, and from capital  
8 that was contributed to TCI in connection with the start-up of its business operations. On June 30, 2022, at the  
9 end of the Offering Period, there were 407 active Washington digital asset trading accounts with TCI,  
10 collectively valued at \$2,593,297.84 USD. Nationally, at the end of the Offering Period, there were a total of  
11 11,958 active digital asset trading accounts with TCI, with assets under custody totaling \$98,214,155.40 USD.

12 *TCI’s Interest Feature*

13 7. During the Offering Period, TCI advertised that customers could “actively trade and earn  
14 interest on eligible crypto assets simultaneously.” TCI described the Interest Feature as “passive income.”  
15 TCI advertised that customers could earn up to 6 percent interest on eligible digital assets that customers held  
16 in digital asset trading accounts with TCI. TCI paid interest on several types of digital assets, including  
17 Bitcoin, Ether, Litecoin, Bitcoin Cash, and USDC Stablecoin.

18 8. TCI offered its digital asset trading accounts to the general public through the TradeStation  
19 website (www.TradeStation.com). The website supports TradeStation Securities, Inc., TradeStation  
20 Technologies, Inc. and TCI. TCI also offered a mobile version of its web application for trading digital  
21 assets.

22 9. TCI promoted the Interest Feature in internet ads that would appear in search engine results  
23 based on certain terms searched by customers. TCI promoted the Interest Feature by advertising, for

1 example: “Automatically Earn Interest on Eligible Crypto Balances with No Limits or Lockups,” “Easily  
2 Customize the Trading Interface, Analyze Prices & Keep Track of Interest Income,” “We Put the Power in  
3 Your Hands to Buy, Sell, Invest, and Earn Cryptocurrencies,” and “Join the New Digital Economy with  
4 TradeStation Crypto to Learn, Invest, and Earn Crypto.”

5 10. TCI allowed eligible customers to apply for a digital asset trading account by utilizing a  
6 unified TradeStation online account opening process (the “AOP”) that allowed prospective customers to  
7 select and apply for the desired account type. As part of the AOP, prospective customers provided personal  
8 information for the purpose of Know Your Customer (KYC) and Anti Money Laundering (AML) checks.  
9 Socure, a third-party identity verification provider, then verified customer-provided information against  
10 Socure-sourced information, including public records.

11 11. TCI set interest rates and credited TCI customer accounts with earned interest on a monthly  
12 basis. According to TCI, the interest “accumulates daily and is paid and compounds monthly directly in your  
13 TradeStation Crypto account.” TCI based interest rates on a number of factors, including, but not limited to,  
14 the rates TCI earned from borrowers, economic, and competitive factors.

15 12. TCI commingled customers’ like-kind digital assets together and rehypothecated, or used, the  
16 customers’ digital assets to lend to “trusted institutional or corporate borrowers,” such as BlockFi Lending  
17 LLC and Genesis Global Capital, LLC—both of which have since filed for bankruptcy protection. TCI  
18 represented that notwithstanding, no borrower failed to return all digital assets lent by TCI to them, and none  
19 of TCI’s customers lost money from the Interest Feature.

20 13. TCI represented that it implemented various risk mitigation strategies towards its lending  
21 activities and that all loans made by it were fully secured. TCI set the amount of crypto assets that it was  
22 willing to lend to individual borrowers depending on the borrower’s credit profile. TCI further represented  
23 that it utilized its “automated risk management system” to “monitor positions 24/7” and maintained a reserve

1 balance to fulfill TCI customer withdrawal demands. Further, TCI claimed to maintain an internal risk  
2 committee to evaluate, among other things, credit and market risks that may affect its business. Customer  
3 account balances with TCI were not SIPC or FDIC insured.

4 14. During the account opening process, TCI required customers to agree to the rehypothecation  
5 of their digital assets when the customer accepted the TCI Terms, including the Customer Account  
6 Agreement, during account set-up. Specifically, TCI required that customers agree that TCI may hold the  
7 digital assets in TCI's name, that their digital assets could be commingled with other customers' digital assets,  
8 and that TCI could "pledge, repledge, hypothecate, rehypothecate, loan or invest" the digital assets. Further,  
9 the agreements provided that TCI was under no obligation to share with its customers any of the interest  
10 revenue generated by TCI's lending arrangements.

11 15. Customer deposits into TCI's digital asset trading accounts during the period when the Interest  
12 Feature was offered were passive investments. TCI alone determined how customer assets were deployed;  
13 TCI customers had no control over how their assets were invested. TCI required that customers give up  
14 certain rights to their assets—specifically, that customers agreed to allow TCI to "pledge, repledge,  
15 hypothecate, rehypothecate, loan or invest" digital assets.

16 16. On or about June 30, 2022, TCI discontinued the Interest Feature and ceased all lending  
17 activities of customer assets.

### 18 **Failure to Comply with Registration Requirements**

19 17. During the Offering Period, TCI's offer and sale of securities in the form of the Interest Feature  
20 was not offered or sold pursuant to an exemption or exception from registration.

21 18. During the Offering Period, TCI offered and sold securities in Washington that were  
22 unregistered or did not meet an exemption for registration as required by RCW 21.20.140

## 23 **II. CONCLUSIONS OF LAW**

1 19. The offer and/or sale of the Interest Feature within digital assets trading accounts maintained  
2 by customers as described above constitutes the offer and/or sale of a security as defined in RCW  
3 21.20.005(14) and (17).

4 20. During the Offering Period, TCI's offer and sale of securities in Washington that were  
5 unregistered, or did not meet an exemption for registration, violated RCW 21.20.140.

### 6 III. ORDER

7 Based on the Findings of Facts, Conclusions of Law, and TCI's consent to the entry of this Order, IT  
8 IS HEREBY ORDERED:

9 21. This Order concludes the securities investigation by WA DFI with respect to TCI's Interest  
10 Feature and resolves any other securities action WA DFI could commence against TCI and its affiliates  
11 concerning the Findings of Fact and Conclusions of Law, including as it relates to the offer and sale of the  
12 Interest Feature without registration, qualification, or otherwise complying with an exemption.

13 22. This Order is entered into solely for the purpose of resolving the referenced multi-state  
14 securities investigation with respect to the Interest Feature and is not intended to be used for any other purpose.  
15 Other than the obligations and provisions set forth herein, this Order does not limit or create liability for TCI  
16 nor limit or create defenses for TCI to any claims.

17 23. This Order is not intended to subject any Covered Person to any disqualifications under the  
18 laws of the United States, any state, the District of Columbia, Puerto Rico, Guam, or the U.S. Virgin Islands,  
19 or under the rules or regulations of any securities or commodities regulator or self-regulatory organization,  
20 including, without limitation, any disqualification from relying upon the state or federal registration  
21 exemptions or safe harbor provisions. "Covered Persons" means TCI, its parent companies, and all of its  
22 affiliates and their current or former officers, directors, employees, contractors, or other persons that could  
23 otherwise be disqualified as a result of the Order.

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24. TCI is hereby ORDERED to cease and desist from offering, selling, or renewing the Interest Feature or any security that is not registered, qualified, or exempt to investors in Washington.

25. TCI is hereby ORDERED to pay a penalty in the amount of \$29,411.76 to WA DFI pursuant to RCW 21.20.395.

26. Full payment in the amount of \$29,411.76 (in United States dollars) shall be tendered on or before entry of this Order.

27. TCI shall pay the full penalty by guaranteed funds (U.S. postal money order, certified check, bank cashier's check, or bank money order) made payable to the Washington State Treasurer, and delivered to the Department of Financial Institutions, 150 Israel Rd SW, Tumwater, Washington 98501. To ensure proper credit, the payment shall be delivered with a remittance form provided by WA DFI.

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

**WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**



1 SIGNED and ENTERED this 21st day of December 2023.



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8 /s/William M. Beatty

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William M. Beatty  
Securities Administrator

10 Approved by:

Presented by:

11 /s/Brian J. Guerard

/s/Megan Campbell

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Brian J. Guerard  
Chief of Enforcement

13 \_\_\_\_\_  
Campbell, Megan  
Financial Legal Examiner

14 Reviewed by:

15 /s/Holly Mack-Kretzler

16 \_\_\_\_\_  
Holly Mack-Kretzler  
Financial Legal Examiner Supervisor

1 **CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY TRADESTATION CRYPTO, INC.**

2 TradeStation Crypto, Inc. (TCI), hereby further understands, acknowledges, and agrees to the  
3 following (the WA DFI and TCI are referred to below (i) individually as “party” and (ii) together as  
4 “parties”):

5 29. Waiver of Hearing Rights. TCI acknowledges that it has been served with a copy of the Order,  
6 has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the  
7 same. TCI hereby waives the right to any hearings, and to any reconsideration, appeal, or other right to review  
8 which may be afforded pursuant to Chapter 34.05 RCW or any other provision of law.

9 30. Failure to Comply with Order. TCI agrees that if it fails to comply with the terms of the Order,  
10 the WA DFI may seek any and all remedies under the law.

11 31. Information Willfully Withheld or Misrepresented. The Order may be revoked, and the WA  
12 DFI may pursue any and all remedies available under the law against TCI if the WA DFI discovers that TCI  
13 knowingly or willfully withheld or misrepresented information used for and relied upon in the Order.

14 32. Future Actions by the WA DFI. If TCI fails to comply with the terms of the Order, the WA  
15 DFI may institute proceedings for any and all violations otherwise resolved under the Order. The WA DFI  
16 reserves the right to bring any future actions against TCI, or any of its partners, owners, officers, shareholders,  
17 directors, employees or successors for any and all violations of any law over which the WA DFI has jurisdiction  
18 other than violations resolved under this Order.

19 33. Jurisdiction & Findings. TCI admits to the jurisdiction of the WA DFI neither admits nor denies  
20 the Findings of Fact and Conclusions of Law contained in the Order, and consents to entry of the Order by the  
21 WA DFI as settlement of the issues contained in the Order. Notwithstanding the foregoing, TCI will admit to  
22 the Findings of Fact and Conclusions of Law solely for the purposes of exceptions to discharge in bankruptcy  
23 proceedings under any and all jurisdictions, including the proceedings set forth in Sections 523 and 1192 of  
the Bankruptcy Code, 11 U.S.C. §§ 523; 1192.

34. No Tax Deduction or Credit. TCI agrees that it shall not claim, assert, or apply for a tax  
deduction or tax credit with regard to any state, federal, or local tax for any administrative fine or investigative  
costs that TCI shall pay pursuant to the Order.

1           35.     Assisting Other Agencies. Nothing in the Order limits the WA DFI's ability to assist any other  
2 government agency (city, county, state or federal) with any prosecution, administrative, civil or criminal action  
3 brought by that agency against TCI or any other person based on any of the activities alleged in this matter or  
4 otherwise.

5           36.     No Presumption Against Drafter. Each party acknowledges that it has had the opportunity to  
6 draft, review, and edit the language of the Order. Accordingly, the parties intend no presumption for or against  
7 the drafting party will apply in construing any part of this Settlement.

8           37.     Independent Legal Advice. Each of the parties represents, warrants, and agrees that it has had  
9 the opportunity to receive independent advice from an attorney(s) and/or representatives with respect to the  
10 advisability of executing the Order.

11           38.     Headings. The headings to the paragraphs of the Order are inserted for convenience only and  
12 will not be deemed a part hereof or affect the construction or interpretation of the provisions hereof.

13           39.     Binding. The Order is binding on all of TCI's heirs, assigns, and/or successors in interest.

14           40.     Reliance. Each of the parties represents, warrants, and agrees that in executing the Order, it has  
15 relied solely on the statements set forth herein and the advice of its own legal counsel, if represented. Each of  
16 the parties further represents, warrants, and agrees that in executing the Order it has placed no reliance on any  
17 statement, representation, or promise of any other party, or any other person or entity not expressly set forth  
18 herein, or upon the failure of any party or any other person or entity to make any statement, representation, or  
19 disclosure of anything whatsoever. The parties have included this clause: (1) to preclude any claim that any  
20 party was in any way fraudulently induced to execute the Order; and (2) to preclude the introduction of parol  
21 evidence to vary, interpret, supplement, or contradict the terms of the Order.

22           41.     Waiver, Amendments, and Modifications. No waiver, amendment, or modification of the Order  
23 will be valid or binding unless it is in writing and signed by each of the parties. The waiver of any provision  
of the Order will not be deemed a waiver of any other provision. No waiver by either party of any breach of,  
or of compliance with, any condition or provision of the Order by the other party will be considered a waiver  
of any other condition or provision or of the same condition or provision at another time.

1           42.    Full Integration. The Order is the final written expression and the complete and exclusive  
2 statement of all the agreements, conditions, promises, representations, and covenants between the parties with  
3 respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, negotiations,  
4 representations, understandings, and discussions between and among the parties, their respective  
5 representatives, and any other person or entity, with respect to the subject matter covered hereby.

6           43.    Governing Law. The Order will be governed by and construed in accordance with the laws of  
7 the State of Washington. Each of the parties hereto consents to the jurisdiction of such court and thereby  
8 irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the  
9 maintenance of such action or proceeding in such court.

10          44.    Counterparts. The Order may be executed in one or more separate counterparts, each of which  
11 when so executed, shall be deemed an original. Such counterparts shall together constitute a single document.

12          45.    Effect Upon Future Proceedings. If TCI applies for any license, permit, or qualification under  
13 the WA DFI's jurisdiction, or is the subject of any future action by the WA DFI to enforce the Order, then the  
14 subject matter hereof shall be admitted for the purpose of such application(s) or enforcement proceeding(s);  
15 provided, however, that, for the avoidance of doubt, such admission of the subject matter hereof shall not be  
16 construed as any admission or denial by TCI of any findings of fact or conclusions of law contained herein.

17          46.    Voluntary Agreement. TCI hereby enters into the Order voluntarily and without coercion and  
18 acknowledges that no promises, threats, or assurances have been made by the WA DFI or any officer, or agent  
19 thereof, about the Order to induce TCI to consent to the Order. The parties each represent and acknowledge  
20 that he, she or it is executing the Order completely voluntarily and without any duress or undue influence of  
21 any kind from any source.

22          47.    Public Record. TCI hereby acknowledges that the Order is and will be a matter of public record.  
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Dated this 13<sup>th</sup> day of December 2023.

/s/David Schubauer

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David Schubauer, General Counsel  
TradeStation Crypto, Inc.