

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  
Consumer Loan Act of Washington by:  
  
BLOCKFI LENDING, LLC D/B/A BLOCKFI,  
NMLS NO. 1737520,  
  
Respondent.

No. C-22-3489-22-TD01

TEMPORARY ORDER TO  
CEASE AND DESIST

THE STATE OF WASHINGTON TO: BlockFi Lending, 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 31.04 RCW, the Consumer Loan Act (Act), based upon the following findings:

**I. FACTUAL FINDINGS**

**1.1 Respondent.** BlockFi Lending, LLC d/b/a BlockFi (Respondent) is a consumer loan company 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 consumer loan company on or about June 8, 2018, and continues to be licensed as of the date of this Temporary Order to Cease and Desist (Order).

**1.2 Unfair Deceptive Acts or Practices.** From approximately June 8, 2018, until November 10, 2022, Respondent offered consumer loans to Washington residents. Respondent

1 used customers' digital assets (virtual currency) to collateralize the loans. Respondent reported  
2 making 1,063 loans totaling \$61,646,594.86 to Washington customers in 2021. Respondent's  
3 Loan Agreement contained the following provisions:

- 4 • **Collateral.** Borrower agrees that Lender may, for its own account, pledge,  
5 repledge, hypothecate, rehypothecate, sell, lend or otherwise transfer or use any  
6 amount of such Collateral, separately or together with other property, with all  
7 attendant rights of ownership from time to time, without notice to the Borrower any  
8 or all of the Collateral and that Lender may do so without retaining in its possession  
9 or control for delivery, a like amount of similar Collateral.
- 10 • **Prepayments.** Borrower may prepay in whole or in part at any time the  
11 outstanding principal and all accrued and unpaid interest thereon at the rate  
12 expressed herein without penalty.
- 13 • **Termination.** This Agreement and the security interests created hereby shall  
14 automatically terminate upon the payment in full of all Indebtedness and  
15 performance of all obligations hereunder. At such time, and except as otherwise  
16 required by applicable law, Lender's sole obligations shall be to, at Borrower's  
17 request, (i) direct the Depository to transfer the remaining Collateral in the  
18 Depository Account to Borrower, at a wallet address provided by Borrower to  
19 Lender.

20 Effective November 10, 2022, Respondent suspended their platform activity upon  
21 learning FTX and their affiliates filed for Chapter 11 Bankruptcy. The suspension prevents  
22 Respondent's customers from withdrawing or depositing virtual currency, and thus the return  
23 of customers' collateral pursuant to the terms of Respondent's Loan Agreement. Respondent  
24 has not indicated when customers will be able to resume making transactions. Further,  
25 Respondent does not know when or if Respondent will be able to recover obligations owed to  
Respondent by FTX and their affiliates.

**1.3 Risk of Substantial Injury to Public.** Respondent's financial and operational  
condition is such that there is serious risk of injury to the public. Further, Respondent's

1 violations of the Act are such that the public is likely to be substantially injured by delay in  
2 issuing a cease and desist order.

## 3 **II. GROUNDS FOR ENTRY OF ORDER**

4 **2.1 Prohibited Practices.** Based upon the facts set forth in Section I above,  
5 Respondent is in apparent violation of RCW 31.04.027(1)(b) for preventing customer  
6 withdrawals and failing to uphold Respondent's obligations under their Loan Agreements,  
7 which is unfair.

## 8 **III. AUTHORITY TO ISSUE ORDER**

9 **3.1 Authority to Issue Temporary Order to Cease and Desist.** Pursuant to RCW  
10 31.04.093(8), whenever the director determines that the public is likely to be substantially  
11 injured by delay in issuing a cease and desist order, the director may immediately issue a  
12 temporary cease and desist order. The order may direct the licensee to discontinue any  
13 violation of this chapter, to take such affirmative action as is necessary to comply with this  
14 chapter, and may include a summary suspension of the licensee's license and may order the  
15 licensee to immediately cease the conduct of business under this chapter.

## 16 **IV. ORDER**

17  
18 Based upon the above Factual Findings, Grounds for Entry of Order, and Authority to  
19 Issue Temporary Order to Cease and Desist, and pursuant to RCW31.04.093(8), the Director  
20 determines that the public is likely to be substantially harmed by a delay in entering a cease  
21 and desist order. Therefore, the Director ORDERS that:

22  
23 **4.1** Respondent BlockFi Lending, LLC d/b/a BlockFi shall immediately cease and  
24 desist from accepting any new business, originating any new loans for Washington residents,  
25 and making margin calls on consumer loans. Respondent BlockFi Lending, LLC d/b/a BlockFi

1 shall cease conducting any activities that require licensure under the Consumer Loan Act, and  
2 shall not resume its consumer loan business in Washington without the Department's approval.  
3 This does not prohibit Respondent BlockFi Lending, LLC d/b/a BlockFi from returning  
4 Washington residents' collateral.

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

7 **A.** Cooperate with the Department and provide full access to information  
8 and records at the request of the Department.

9 **B.** Maintain an adequate surety bond.

10 **4.3** This order shall take effect immediately and shall remain in effect unless set  
11 aside, limited, or suspended in writing by an authorized court.  
12

13 **NOTICE**

14 PURSUANT TO CHAPTER 31.04 RCW, YOU ARE ENTITLED TO A HEARING  
15 WITHIN FOURTEEN DAYS OF REQUEST TO DETERMINE WHETHER THIS ORDER  
16 SHALL BECOME PERMANENT. IF YOU DESIRE A HEARING, THEN YOU MUST  
17 RETURN THE ATTACHED APPLICATION FOR ADJUDICATIVE HEARING  
18 INCORPORATED HEREIN BY THIS REFERENCE.

19 FAILURE TO COMPLETE AND RETURN THE APPLICATION FOR  
20 ADJUDICATIVE HEARING FORM SO THAT IT IS RECEIVED BY THE DEPARTMENT OF  
21 FINANCIAL INSTITUTIONS WITHIN TWENTY (20) DAYS OF THE DATE THAT THIS  
22 ORDER WAS SERVED ON YOU WILL CONSTITUTE A DEFAULT AND WILL RESULT  
23 IN THE LOSS OF YOUR RIGHT TO A HEARING.  
24

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

5  
6  
7 DATED this 22nd day of NOVEMBER, 2022.



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

/s/  
LUCINDA FAZIO, Director  
Division of Consumer Services  
Department of Financial Institutions

Presented by:

/s/  
AMANDA B. STARNES  
Financial Legal Examiner

Approved by:

/s/  
JACK McCLELLAN  
Enforcement Chief