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**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  
Enforcement Chief

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

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