

**STATE OF VERMONT  
DEPARTMENT OF FINANCIAL REGULATION**

<b>IN RE:</b>	)	
<b>VOYAGER DIGITAL LTD., VOYAGER</b>	)	
<b>DIGITAL HOLDINGS, INC., AND VOYAGER</b>	)	<b>DOCKET NO. 22-004-S</b>
<b>DIGITAL, LLC</b>	)	
	)	
	)	

**SHOW CAUSE ORDER**

The Vermont Department of Financial Regulation (the “Department”), having the authority to administer and provide for the enforcement of all provisions of 9 V.S.A. Chapter 150, the Vermont Uniform Securities Act of 2002 (the “Securities Act”), upon due consideration of the subject matter hereof, has determined as follows:

**JURISDICTION**

1. The Commissioner of Financial Regulation is responsible for administering and enforcing the securities laws of the State of Vermont and is authorized to investigate companies to determine compliance with Vermont law and issue orders imposing remedial actions and civil administrative penalties, pursuant to 9 V.S.A. §§ 5601-5605.
2. Pursuant to 9 V.S.A. § 5604(a)(1), the Commissioner may issue orders or directives to any person to cease and desist from specific conduct if the Commissioner finds that the person has engaged, is engaging or is about to engage in an act, practice or course of business which constitutes a violation of the Securities Act.
3. Pursuant to 9 V.S.A. § 5604(b) and Section 13 of Department Regulation 82-1 (Revised), the Commissioner may issue such orders without prior notice or an opportunity to be heard.
4. Pursuant to 9 V.S.A. § 5604, the Commissioner may: (1) impose a civil administrative penalty for each violation of the Securities Act, an administrative rule of the Department,

or an order of the Commissioner relating to securities, of up to \$15,000 per violation; and (2) require a company to make restitution or provide disgorgement of any sums shown to have been obtained in violation of the Securities Act, plus interest at the legal rate.

### **RESPONDENTS**

5. Voyager Digital Ltd. (“Voyager Limited”) is incorporated in British Columbia, Canada and conducts business in the State of Vermont through its wholly owned subsidiaries. Voyager Limited’s principal place of business is located at 33 Irving Plaza, Suite 3060, New York, New York. Voyager Limited is the parent company for various subsidiaries, including Voyager Digital Holdings, Inc.
6. Voyager Digital Holdings, Inc. (“Voyager Holdings”), a wholly owned subsidiary of Voyager Limited, is a Delaware corporation that conducts business in the State of Vermont through its wholly owned subsidiaries. Voyager Holdings is the holding company for Voyager Limited’s subsidiaries in the United States, including Voyager Digital LLC.
7. Voyager Digital, LLC (“Voyager”) is a Delaware limited liability company that conducts business in the State of Vermont. Voyager’s principal place of business is located at 185 Hudson Street, Jersey City, New Jersey. Voyager is a wholly owned subsidiary of Voyager Holdings and Voyager Limited. Voyager provides user-facing products and services to customers in the United States, including in Vermont.
8. Voyager Limited, Voyager Holdings, and Voyager are referred to herein collectively as the “Respondents.”

## **BACKGROUND AND FINDINGS OF FACT**

### **The Crypto Interest Accounts**

9. Voyager is a financial services company that generates revenue by providing execution for customer-initiated trades of certain digital assets and virtual currencies (collectively, “cryptocurrency” or “cryptocurrencies”), lending cryptocurrencies to commercial and institutional borrowers, participating in blockchain and cryptocurrency staking protocols, and engaging in other types of transactions selected and conducted at Voyager’s discretion.
10. Respondents are financing their lending activities and cryptocurrency staking activities through the sale of unregistered securities in the form of interest-earning cryptocurrency accounts (the “Voyager Interest Accounts”) to residents of Vermont and investors in other states.
11. Respondents refer to the interest-earning feature of the Voyager Interest Accounts as Voyager’s “Earn Program” or “Rewards Program,” and prior to August 20, 2021, as Voyager’s “Interest Program.”
12. Respondents conduct their business on the internet, through a website accessible to the general public at <https://www.investvoyager.com/> (the “Voyager Website”), as well as through Respondents’ proprietary smartphone applications.
13. Respondents permit Vermont residents and other investors at least eighteen years old to invest in the Voyager Interest Accounts through the Voyager Website or smartphone applications.
14. Investors open their Voyager Interest Accounts by transferring U.S. dollars or eligible cryptocurrency to Voyager to invest in the Voyager Interest Accounts. Investors relinquish

control over their deposits and Voyager takes legal and beneficial ownership of the investors' deposits.

15. Investors retain the right to withdraw their deposited cryptocurrencies but investors otherwise consent to Voyager's use of such cryptocurrencies consistent with the terms of the Voyager Interest Accounts, including: commingling cryptocurrencies with cryptocurrencies deposited by other investors; holding cryptocurrency held in an investor's account in Voyager's name or in another name; pledging, repledging, hypothecating, rehypothecating, selling, lending, staking, arranging for staking, or otherwise transferring or using any amount of such cryptocurrency, separately or together with other property, with all attendant rights of ownership, and for any period of time and without retaining a like amount of cryptocurrency; and otherwise using or investing such cryptocurrency at the investor's sole risk.
16. In exchange for consideration (*i.e.* deposits and the attendant rights to use them as described above) received in the present, Voyager is promising to pay lucrative interest rates in the future. Voyager is currently promoting the interest rates through the Voyager Website and apps, which advertise annualized returns on cryptocurrencies for retail investors, many of which rates significantly exceed the rates currently being offered on short-term investment grade fixed income securities or on bank savings accounts.
17. Voyager sets the interest rates it pays on various cryptocurrencies in advance, typically on a monthly basis. Voyager sets its interest rates based on various considerations and prioritizing Voyager's need for particular types of cryptocurrencies or digital assets.

18. The accrual of interest is calculated using a daily periodic rate applied to the principal in a Voyager Interest Account and interest is paid the month after it accrues. Interest is payable on or before the fifth business day of each month for the interest accrued the prior month.
19. Interest payments are denominated in the same type of cryptocurrency or digital asset originally invested.
20. Retail investors may withdraw their cryptocurrencies at any time, subject to certain processing times and minimum balance requirements; however this right is limited by Voyager's sole discretion to delay or prohibit withdrawals.
21. As of March 1, 2022, Voyager had over \$5 billion in outstanding Voyager Interest Account liabilities and more than 1.5 million funded accounts from the sale of Voyager Interest Accounts, nationally.
22. As of March 1, 2022, more than 1,500 Vermont residents have over \$6.3 million invested in Voyager Interest Accounts.

#### The Lack of Registration and Public Protections

23. Respondents are not licensed as money transmitters under the Vermont Money Services Act, 8 V.S.A. § 2500, *et seq.*
24. Respondents are not registered with the Vermont Department of Financial Regulation to offer or sell securities in Vermont.
25. The Voyager Interest Accounts are not registered or permitted for sale in Vermont, nor do they qualify for any exemption from registration pursuant to the Securities Act.
26. The Voyager Interest Accounts are not registered for offer or sale with the United States Securities and Exchange Commission (the "SEC").

27. Respondents did not file or cause to be filed a registration statement with the SEC in connection with the offer and sale of the Voyager Interest Accounts.
28. Respondents are not disclosing material information to Voyager Interest Account investors that issuers of registered securities must include in a registration statement and provide to prospective investors in the form of a prospectus pursuant to Subchapter 3 of the Securities Act and Section 6-1 of the Vermont Securities Regulations.
29. The Voyager Interest Accounts are not protected by Securities Investor Protection Corporation, otherwise known as the SIPC, a federally mandated, non-profit, member-funded United States corporation created under the Securities Investor Protection Act of 1970 that mandates membership of most US-registered broker-dealers.
30. The Voyager Interest Accounts are also not insured by the Federal Deposit Insurance Corporation, otherwise known as the FDIC, an agency that provides deposit insurance to depositors in the United States, or the National Credit Union Administration, otherwise known as the NCUA, an agency that regulates and insures credit unions.

#### Voyager's Past and Continuing Registration Violations

31. On June 22, 2021, Voyager applied for a Vermont money transmitter license; Voyager's application remains pending.
32. On July 1, 2021, as part of its review of Voyager's pending application for a Vermont money transmitter license, the Department directed Voyager to provide an affidavit, signed and dated by an officer of the company, indicating whether or not business has been conducted with any Vermont clients.

33. On August 3, 2021, Voyager’s chief compliance officer provided a statement confirming that “Voyager Digital LLC has not conducted any unlicensed business activities with Vermont clients.” Voyager did not provide the required affidavit.
34. On September 21, 2021, the Department requested that Voyager provide information regarding all financial business engaged in, effected, conducted or facilitated by Voyager or any of its affiliates with any customer, client, borrower, person or entity located or residing in the State of Vermont. Voyager did not provide the requested information.
35. On February 18, 2022, the Department resent its request and directed Voyager to respond by March 1, 2022. Voyager complied with this final request, and confirmed that over three thousand Vermonters have either signed up for, opened, or invested in Voyager Interest Accounts between December 20, 2020 and February 28, 2022.<sup>1</sup>
36. Respondents continue to offer the Voyager Interest Accounts to Vermonters without complying with the registration requirements in Vermont law, as set forth in this Show Cause Order.

### **CONCLUSIONS OF LAW**

37. Pursuant to 9 V.S.A. § 5301, “[i]t is unlawful for a person to offer or sell a security in this State unless: (1) the security is a federal covered security; (2) the security, transaction, or offer is exempted from registration under sections 5201 through 5203 of this chapter; or (3) the security is registered under this chapter.”

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<sup>1</sup> In addition to the unregistered offering and sale of securities in the form of Voyager Interest Accounts, Voyager’s response on March 1, 2022, reported extensive unlicensed business activities with Vermont customers that appear to require a Vermont money transmitter license pursuant to 8 V.S.A., Chapter 79. Such matters are beyond the current scope of this Order, which is limited to enforcement of the Securities Act.

38. Pursuant to 9 V.S.A § 5102(28), the term “security” includes notes, investment contracts, evidence of indebtedness, and related types of participation in profit-sharing agreements. Section 5102(28)(D) specifies that the Securities Act’s definition of security includes “an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor and a ‘common enterprise’ means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors.” *Id.* (codifying the definition set forth in *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946), commonly referred to as the “*Howey test*”).
39. The Voyager Interest Accounts offered by Respondents are securities within the meaning of 9 V.S.A. § 5102(28).
40. The Voyager Interest Accounts were neither federal covered securities nor registered with the Department nor exempted from registration when Respondents offered or sold them to Vermont investors.
41. Accordingly, Respondents are in violation of 9 V.S.A. § 5301.

### **ORDER**

ACCORDINGLY, IT IS HEREBY ORDERED that Respondents show cause to the Commissioner, within thirty (30) days of the date of this Order, why an order should not be entered by the Commissioner directing Respondents to cease and desist offering Voyager Interest Accounts in Vermont, and further, as a condition of such order, to pay restitution and meet such other terms and conditions as the Commissioner deems appropriate under 9 V.S.A. § 5604, including, but not limited to a civil penalty of not more than \$15,000.00 for each violation.

Dated at Montpelier, Vermont this 29th day of March, 2022.

By: 

Michael S. Pieciak  
Commissioner of Financial Regulation  
Vermont Department of Financial Regulation