

**STATE OF ALABAMA**  
**ALABAMA SECURITIES COMMISSION**

<b>IN THE MATTER OF:</b>	)	
	)	
<b>VOYAGER DIGITAL LTD.,</b>	)	<b>ADMINISTRATIVE ORDER</b>
<b>VOYAGER DIGITAL HOLDINGS, INC</b>	)	<b>No. SC-2022- <u>0006</u></b>
<b>and VOYAGER DIGITAL, LLC,</b>	)	
<b>RESPONDENTS</b>		

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**ORDER TO SHOW CAUSE WHY THE ALABAMA SECURITIES COMMISSION  
SHOULD NOT ORDER RESPONDENTS TO CEASE AND DESIST FROM FURTHER  
OFFERS OR SALES OF SECURITIES IN THIS STATE**

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, *Code of Alabama 1975*, the Alabama Securities Act ("Securities Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offers for sale and/or sale of securities, into, within or from the state of Alabama, has determined as follows:

**RESPONDENTS**

1. VOYAGER DIGITAL LTD. ("VOYAGER LTD") is incorporated in British Columbia, Canada, and is the parent company for Voyager subsidiaries, including Voyager Digital Holdings, Inc. VOYAGER LTD has a mailing address of 33 Irving Plaza, Suite 3060 New York, NY 10003. VOYAGER LTD is accessible via the website <https://www.investvoyager.com>.

2. VOYAGER DIGITAL HOLDINGS, INC. ("VOYAGER, INC) is incorporated in Delaware, and is the holding company for VOYAGER subsidiaries in the United States. VOYAGER, INC has a mailing address of 33 Irving Plaza, Suite 3060 New York, NY 10003. VOYAGER, INC is accessible via the website <https://www.investvoyager.com>.

3. VOYAGER DIGITAL LLC ("VOYAGER, LLC) is incorporated in Delaware,

and has a mailing address of 185 Hudson Street, Suite 2500, Jersey City, NJ 07311. **VOYAGER, LLC** is accessible via the website <https://www.investvoyager.com>.

4. Collectively the above entities will be referred to hereinafter as “**VOYAGER**” or “**RESPONDENTS**.”

#### **STATEMENT OF FACTS**

5. In its responses to the Alabama Securities Commission visitation letter **VOYAGER** admits that it offers accounts (“Account” or “Accounts”) that allow account holders access to custody, trading, data, and referral features along with a rewards program. The response describes the features. “The Custody Feature provides customers the ability to custody their digital assets on the Voyager Platform. The Trading Feature provides customers the ability to trade “spot transactions” between fiat and digital assets. The Data Feature provides customers access to a news feed containing cryptocurrency performance, tracking, and charting tools. The Referral Feature provides customers the ability to earn \$25 worth of Bitcoin for each individual customer referral to Voyager that successfully opens and funds an Account with a minimum of \$100.” In paragraphs 5 through 29 below the facts asserted are based on information contained in **VOYAGER**’s response letters to the Alabama Securities Commission, or the lack thereof, and information on **VOYAGER**’s website.

6. Account holder agreements authorize **VOYAGER**, without further notice to the holder, to maintain each customer’s digital assets in **VOYAGER**’s name, or in another name, and to commingle Account holders’ deposits to pledge, repledge, hypothecate, rehypothecate, sell, lend, invest, or otherwise transfer or use any amount of such digital assets, with all attendant rights of ownership. The absence of any type of insurance or other protection to the investor makes it clear that such use or investment by **VOYAGER** is at the Account holder’s sole risk.

7. The Accounts Rewards Program, also sometimes called the Earn Program, (“Rewards Program”) pays Account holders digital assets for maintaining a monthly minimum balance of certain digital assets of the same type in their Accounts. As of March 1, 2022,

VOYAGER's total Reward Account assets under management had a fair market value of \$5,061,610,367.00.

8. By participating in the Rewards Program, Account holders allow **VOYAGER** to utilize their digital assets to loan to institutional borrowers and such loans may not be secured or require the borrower to post collateral — all at **VOYAGER**'s sole discretion. **VOYAGER**, also at its sole discretion, determines the rates of return and rate tiers, if any, for each month.

9. **VOYAGER** promises to pay the reward assets to Account holders on a monthly basis and considers such rewards an operating expense.

10. **VOYAGER**'s operating revenue is primarily derived from fees charged for digital asset trading as well as revenue from loans made to its institutional borrowers.

11. Trading is executed via **VOYAGER**'s proprietary order routing technology that seeks favorable execution prices for its customers. **VOYAGER** generates trading revenue by taking a fraction of the difference between the execution price and the price quoted to the customer. **VOYAGER**, in the 2021 fiscal year, generated approximately \$154,000,000 in revenue via trading or approximately 88% of **VOYAGER**'s overall revenue.

12. **VOYAGER** loans digital assets to financial institutions in exchange for in-kind interest income paid by the borrower. **VOYAGER**, in the 2021 fiscal year, generated approximately \$21,000,000 in loan revenue or approximately 12% of **VOYAGER**'s overall revenue.

13. **VOYAGER** represents that success or failure of a particular Account is “based predominantly on the choices and actions of the individual [Account holder].” However, **VOYAGER** solely controls the way it provides trading and loan services and chooses what digital assets are eligible for the Rewards Program along with the rate of return an Account holder will receive.

14. **VOYAGER** uses its authority to choose and enter into lending agreements with institutional borrowers. Approximately 15-30% of customer assets are held by institutional borrowers.

15. **VOYAGER** chooses a third-party, Fireblocks, to manage its crypto assets held internally and as a “settlement layer to transact and settle with pre-approved counterparties or entities.” Approximately 30-50% of customer assets are either custodied through Fireblocks or held in storage with Anchorage Digital Bank N.A.

16. **VOYAGER** chooses Anchorage Digital Bank N.A. to custody customer crypto assets.

17. **VOYAGER** chooses several other crypto trading platforms to connect to and maintain crypto asset balances to ensure liquidity for trade execution. Approximately 20-50% of customer assets are held in **VOYAGER**-owned accounts on these crypto trading platforms.

18. **VOYAGER** chooses *not* to insure its customers’ assets.

19. **VOYAGER** implements a due diligence program for all trading partners including assessing their security, reputation, liquidity levels in applicable crypto assets, capitalization, management, internal control practices, and operational risks before utilizing any trading partner.

20. **VOYAGER** monitors each trading partner to ensure compliance with required legal and regulatory standards.

21. **VOYAGER** is largely dependent on the performance of its management, key employees, and directors to successfully carry out **VOYAGER**’s business operations. **VOYAGER**, its management, key employees, and directors possess the specialized skills and knowledge necessary to ensure the success of its business and operations. **VOYAGER** does not maintain any “key man insurance” for any of its current executives. Account holders have no role in the management of **VOYAGER**.

22. **VOYAGER** conducts internal due diligence reviews to determine likely regulatory treatment of digital assets. These reviews may include industry, technological and legal reviews, and an audit committee with ongoing monitoring.

23. **VOYAGER** recognizes its “compliance and risk management programs may not be effective and may result in outcomes that could materially and adversely affect [VOYAGER’s] reputation, financial condition and operating results.”

24. **VOYAGER** discloses that its operational risks could “cause material reputational and financial harm” to **VOYAGER**.

25. **VOYAGER** recognizes that crypto trading platforms, in part, are largely unregulated and may therefore be more exposed to fraud and failure.

26. **VOYAGER** acknowledges that **VOYAGER’s** investment strategy may rely heavily on the use of proprietary and non-proprietary software, data and intellectual property that may expose it to substantial risk.

27. **VOYAGER** discloses the risk that any strategic investments made by **VOYAGER** may not generate positive returns and it “may lose the entirety of such investments.”

28. **VOYAGER** incurs a potentially significant liquidity risk if the aggregate withdrawals by customers exceed the “quantum of uncommitted cryptocurrency available...to satisfy the withdrawal requests.”

29. Alabama residents participating in the Rewards Program must primarily rely on the Respondents’ efforts described, in part, in paragraphs 12 through 27 above, in order to receive the promised return payments of digital assets.

30. As of March 2022, **VOYAGER** had \$26,753,379.00 in total assets under management for the 21,155 Alabama residents who are participants in the Rewards Program.

31. The **VOYAGER** Rewards Program Accounts are not registered with any federal or state securities regulator, nor are they otherwise exempt from registration – as required by law, even though the **VOYAGER** Rewards Program Accounts are securities and subject to such requirements. **VOYAGER** fails to disclose to **VOYAGER** Rewards Account investors that its **VOYAGER** rewards product is not currently registered by federal or state authorities, even though the **VOYAGER** Rewards Program Accounts are securities. Digital assets contained in **VOYAGER** Rewards Program Accounts are not protected by the Securities Investor Protection Corporation (“SIPC”), insured by the Federal Deposit Insurance Corporation (“FDIC”), or insured by the National Credit Union Administration (“NCUA”).

### **CONCLUSIONS OF LAW**

32. Pursuant to Section 8-6-2(10), *Code of Alabama 1975*, the definition of a “security” includes any “investment contract.” The investment program being offered and sold by **VOYAGER**, as described above, constitutes the solicitation of an investment of money; from which an investment return is expected; with such investment return based on the managerial efforts of **RESPONDENTS**. The solicited investments, identified above, are “investment contracts” and are securities under the Securities Act.

33. Pursuant to Section 8-6-4, *Code of Alabama 1975*, it is unlawful for any person to offer or sell any security in this state unless said security is: (1) registered under the Securities Act; (2) the security is exempt from registration under section 8-6-10; or (3) the transaction is exempt under section 8-6-11. The securities offered by **RESPONDENTS**; to wit: the investment contracts described as Rewards Program Accounts, are neither registered nor subject to a perfected exemption from registration in Alabama and are being offered and/or sold in violation of the Securities Act.

34. Pursuant to Section 8-6-30, *Code of Alabama 1975*, the burden of proving an exemption from registration or an exception from a definition under the Act is on the person

claiming the exemption or exception. **RESPONDENTS** must demonstrate compliance with the registration provisions of the Act or demonstrate why such instruments should not be required to be registered.

35. Pursuant to Section 8-6-16, *Code of Alabama 1975*, the Commission may issue a cease-and-desist order, with or without prior hearing, against any person whom the Commission has reason to believe is participating in any act or practice constituting a violation of the Act.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Act.

This Order does not prevent the Alabama Securities Commission from seeking such other civil or criminal remedies that are available to it under the Act.

If the allegations set forth herein are found to be true, through either administrative adjudication or default of the **RESPONDENTS**, it is the intention of the Commission to impose sanctions upon the **RESPONDENTS**. Such sanctions may include, inter alia, an administrative assessment imposed on **RESPONDENTS**, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against **RESPONDENTS**, and a permanent order to bar **RESPONDENTS** from participation in any securities related industry in the state of Alabama. Failure to respond within 28 days of service of this Order shall be deemed a waiver of the right to a hearing and will result in the entry of a final order directing **RESPONDENTS** to cease and desist from violating the Alabama Securities Act and permanently barring **RESPONDENTS** from participation in any securities related industry in the state of Alabama.

**ACCORDINGLY, IT IS HEREBY ORDERED** that **RESPONDENTS SHOW CAUSE** to the Commission within 28 days of the date of this **ORDER**, why **RESPONDENTS** should not be ordered to cease and desist from any further violations of the Alabama Securities Act.

Entered at Montgomery, Alabama, this 29th day of MARCH, 2022.



ALABAMA SECURITIES COMMISSION  
445 Dexter Avenue, Suite 12000  
Montgomery, AL 36104  
(334) 242-2984

BY:

A handwritten signature in black ink, appearing to read "JP Borg", is written over a horizontal line. A long, sweeping flourish extends from the bottom left of the signature.

JOSEPH P. BORG  
DIRECTOR