
*
IN THE MATTER OF: *
*
PAXOS TRUST COMPANY, LLC *
d/b/a ITBIT *
f/k/a ITBIT TRUST COMPANY, LLC *
NMLS # 1766787 *
*
(“Paxos”) *
*

CONSENT ORDER

WHEREAS, the Banking Commissioner (“Commissioner”) is charged with the administration of Part V of Chapter 668, Sections 36a-595 to 36a-612, inclusive, of the Connecticut General Statutes, known as the “Money Transmission Act”;

WHEREAS, Paxos is a New York limited liability trust company with a primary business address of 450 Lexington Avenue, Suite 3952, New York, New York;

WHEREAS, since May 6, 2015, Paxos has been operating as a New York state-chartered trust company, authorized by the New York State Department of Financial Services pursuant to the New York Banking Law to provide certain trust services, to operate a virtual currency exchange and to provide related services;

WHEREAS, from on or about May 6, 2015 until the present date, Paxos provided said virtual currency exchange and related services to residents of this state;

WHEREAS, the Commissioner, through the Consumer Credit Division of the Department of Banking, has conducted an investigation pursuant to Sections 36a-17, 36a-600 and 36a-608 of the Connecticut General Statutes into the activities of Paxos to determine if it had violated, was violating or

was about to violate the provisions of the Connecticut General Statutes within the jurisdiction of the Commissioner;

WHEREAS, as a result of such investigation, the Commissioner alleges that from May 6, 2015, to the present, Paxos engaged in the business of money transmission in this state without the required license, in violation of Section 36a-597(a) of the Connecticut General Statutes;

WHEREAS, the Commissioner believes that such allegation would support initiation of enforcement proceedings against Paxos, including, without limitation, proceedings to issue a cease and desist order pursuant to Sections 36a-608(c) and 36a-52(a) of the Connecticut General Statutes and to impose a civil penalty of up to One Hundred Thousand Dollars (\$100,000) per violation pursuant to Sections 36a-608(c) and 36a-50(a) of the Connecticut General Statutes;

WHEREAS, initiation of such enforcement proceedings would constitute a “contested case” within the meaning of Section 4-166(4) of the Connecticut General Statutes;

WHEREAS, Section 4-177(c) of the Connecticut General Statutes and Section 36a-1-55(a) of the Regulations of Connecticut State Agencies provide that a contested case may be resolved by consent order, unless precluded by law;

WHEREAS, both the Commissioner and Paxos acknowledge the possible consequences of formal administrative proceedings, and Paxos voluntarily agrees to consent to the entry of the sanctions imposed below solely for the purpose of obviating the need for formal administrative proceedings concerning the allegation set forth herein;

WHEREAS, the Commissioner and Paxos now desire to resolve the matters set forth herein;

WHEREAS, Paxos neither admits or denies the allegation herein;

WHEREAS, Paxos represents that it relied in good faith on the authority granted by its New York State Trust Charter in providing virtual currency exchange and related services to residents of this state

and the Commissioner recognizes that Paxos has cooperated in the investigation and resolution of this matter;

WHEREAS, on September 14, 2018, Paxos filed an application with the Commissioner on the Nationwide Multistate Licensing System and Registry (“NMLS”) to obtain a license to engage in the business of money transmission in Connecticut, which application is currently pending;

WHEREAS, Paxos specifically assures the Commissioner that the violation alleged herein shall not occur in the future;

WHEREAS, Paxos acknowledges that this Consent Order is a public record and is a reportable event for purposes of the regulatory disclosure questions on NMLS, as applicable;

AND WHEREAS, Paxos, through its execution of this Consent Order, voluntarily agrees to waive its procedural rights, including a right to a notice and an opportunity for a hearing as it pertains to the allegation set forth herein, and voluntarily waives its right to seek judicial review or otherwise challenge or contest the validity of this Consent Order.

CONSENT TO ENTRY OF SANCTIONS

WHEREAS, Paxos, through its execution of this Consent Order, consents to the Commissioner’s entry of a Consent Order imposing the following sanctions:

1. Paxos shall cease and desist from engaging in the business of money transmission in this state without a license, in violation of Section 36a-597(a) of the Connecticut General Statutes;
2. No later than the date this Consent Order is executed by Paxos, it shall remit to the Department of Banking by wire transfer, cashier’s check, certified check or money order made payable to “Treasurer, State of Connecticut”, the sum of Ten Thousand Dollars (\$10,000) as a civil penalty; and
3. No later than the date this Consent Order is executed by Paxos, it shall remit to the Department of Banking by wire transfer, cashier’s check, certified check or money order made payable to “Treasurer, State of Connecticut”, the sum of Seven Thousand Five Hundred Dollars (\$7,500) as payment for back licensing fees.

CONSENT ORDER

NOW THEREFORE, the Commissioner enters the following:

1. The Sanctions set forth above be and are hereby entered;
2. Upon issuance of this Consent Order by the Commissioner, this matter will be resolved and the Commissioner will not take any future enforcement action against Paxos based upon the allegation set forth herein; provided that issuance of this Consent Order is without prejudice to the right of the Commissioner to take enforcement action against Paxos based upon a violation of this Consent Order or the matters underlying its entry, if the Commissioner determines that compliance with the terms herein is not being observed or if any representation made by Paxos and reflected herein is subsequently discovered to be untrue;
3. Paxos shall not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation referenced in this Consent Order or create the impression that this Consent Order is without factual basis;
4. Upon issuance of the Consent Order by the Commissioner, and so long as this Consent Order is promptly disclosed by Paxos and its control persons on NMLS, as applicable, nothing in the issuance of this Consent Order shall adversely affect the ability of Paxos to apply for or obtain an initial license or renewal license under Part V of Chapter 668, Sections 36a-595 to 36a-612, inclusive, of the Connecticut General Statutes, provided that all applicable legal requirements for such licenses are satisfied and the terms of this Consent Order are followed;
5. This Consent Order shall be binding upon Paxos and its successors and assigns; and
6. This Consent Order shall become final when issued.

Issued at Hartford, Connecticut
this 23rd day of July 2020.

/s/

Jorge L. Perez
Banking Commissioner

I, Charles G. Cascarilla, state on behalf of Paxos Trust Company, LLC f/k/a itBit Trust Company, LLC, that I have read the foregoing Consent Order; that I know and fully understand its contents; that I am authorized to execute this Consent Order on behalf of Paxos Trust Company, LLC f/k/a itBit Trust Company, LLC; that Paxos Trust Company, LLC f/k/a itBit Trust Company, LLC agrees freely and without threat or coercion of any kind to comply with the sanctions entered and terms and conditions ordered herein; and that Paxos Trust Company, LLC f/k/a itBit Trust Company, LLC voluntarily agrees to enter into this Consent Order, expressly waiving the procedural rights set forth herein as to the matters described herein.

By: /s/
Name: Charles G. Cascarilla
Title: Co-Founder and CEO
Paxos Trust Company, LLC f/k/a itBit Trust
Company, LLC