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IN THE MATTER OF:  
  
BLOCKFI TRADING LLC  
d/b/a BLOCKFI TRADING  
d/b/a BLOCKFI  
NMLS # 1873137  
  
("BlockFi" or "Respondent")  
  
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NOTICE OF AUTOMATIC SUSPENSION  
  
NOTICE OF INTENT TO REVOKE  
MONEY TRANSMISSION LICENSE  
  
NOTICE OF INTENT TO ISSUE  
ORDER TO CEASE AND DESIST  
  
NOTICE OF INTENT TO IMPOSE  
CIVIL PENALTY  
  
AND  
  
NOTICE OF RIGHT TO HEARING

**I. PRELIMINARY STATEMENT**

1. 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".

2. Pursuant to the authority granted by Section 36a-17 of the 2022 Supplement to the General Statutes, the Commissioner, through the Consumer Credit Division ("Division") of the Department of Banking, has investigated the activities of Respondent to determine if it has violated, is violating or is about to violate the provisions of the Connecticut General Statutes or Regulations within the jurisdiction of the Commissioner ("Investigation").

3. As a result of the Investigation, the Commissioner has reason to believe that Respondent has engaged in an unsafe or unsound practice, which constitutes a basis for the Commissioner to take action pursuant to Section 36a-608(c) of the Connecticut General Statutes.

4. As a result of the Investigation, the Commissioner has reason to believe that conduct alleged by the Commissioner against BlockFi forms the basis to issue an order to cease and desist against BlockFi pursuant to Section 36a-608(c) of the Connecticut General Statutes and Section 36a-52(a) of the 2022 Supplement to the General Statutes, and forms the basis to issue a civil penalty against BlockFi pursuant to Section 36a-608(c) of the Connecticut General Statutes and Section 36a-50(a) of the 2022 Supplement to the General Statutes.

5. The Commissioner also has reason to believe that as of December 15, 2022, Respondent failed to have a bond in place as required by Section 36a-602(a) of the Connecticut General Statutes. As a result, the Commissioner finds that sufficient grounds exist for the automatic suspension of Respondent's money transmission license in Connecticut effective December 15, 2022, and to revoke Respondent's money transmission license in Connecticut pursuant to Section 36a-602(c) and subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes.

## **II. MATTERS ASSERTED**

6. BlockFi is a Delaware limited liability company with an address of 201 Montgomery Street, Suite 263, Jersey City, New Jersey.

7. BlockFi has been licensed as a money transmitter in Connecticut since April 2, 2020.

8. At all times relevant hereto, BlockFi engaged in the business of exchanging convertible virtual currency for other convertible virtual currency and fiat currency, and from at least February 15, 2022 through November 2022, hosting custodial wallets of virtual currency through various entities and virtual currency platforms, including BlockFi Wallet LLC ("BlockFi Wallets"). According to BlockFi's business plan submitted to the Nationwide Multistate Licensing System and Registry ("NMLS") on June 2, 2022, "[v]irtual currencies sent to or purchased on the BlockFi platform by customers will be immediately transferred on BlockFi's internal ledgers from BlockFi Trading to BlockFi Wallet LLC. Such customers' virtual currencies will be held and maintained by BlockFi Wallet LLC on behalf of BlockFi Trading's customers".

9. On November 11, 2022, BlockFi provided notice to the Department that on November 10, 2022, at 8:16 pm EST, BlockFi suspended the ability of its customers, including Connecticut purchasers, to withdraw virtual and fiat currency from its platform (“Platform Suspension”). Since the Platform Suspension, Connecticut purchasers have been unable to withdraw monetary value, either virtual or fiat currency, from their BlockFi Wallets.

10. On November 18, 2022, Respondent provided information to state regulators, including the Department, indicating that the value of BlockFi Wallets held for Connecticut purchasers exceeded \$6.3 Million.

11. On November 28, 2022, Respondent filed for bankruptcy in the United States Bankruptcy Court for the District of New Jersey, Docket Number 22-19361.

#### **Bond Cancellation**

12. On November 14, 2022, the Commissioner received notice via NMLS from the Arch Insurance Company that surety bond number 1133052, issued on behalf of Respondent with respect to its money transmission license in Connecticut, would be cancelled effective December 15, 2022.

13. On November 28, 2022, pursuant to Section 4-182(c) of the Connecticut General Statutes, the Division informed Respondent by e-mail of the notice of cancellation and provided Respondent an opportunity to show compliance with all lawful requirements for the retention of its money transmission license in Connecticut.

14. As of December 15, 2022, Respondent failed to file with the Commissioner a letter of reinstatement of the bond, a new bond, evidence that all of the principal sum of such surety bond had been invested or a request to surrender its license in Connecticut.

15. As a result, the Commissioner automatically suspended Respondent’s money transmission license in Connecticut effective December 15, 2022.

### **III. STATUTORY BASIS FOR ORDER TO REVOKE MONEY TRANSMISSION LICENSE, ORDER TO CEASE AND DESIST AND IMPOSITION CIVIL PENALTY**

16. Respondent's failure to transmit monetary value received from Connecticut purchasers, as more fully described in paragraphs 7 through 10, inclusive, is conduct that is likely to materially prejudice the interests of purchasers, which constitutes an unsafe or unsound practice within the meaning of Section 36a-608(a) of the Connecticut General Statutes. Such conduct forms the basis to issue an order to cease and desist against Respondent pursuant to Section 36a-608(c) of the Connecticut General Statutes and Section 36a-52(a) of the 2022 Supplement to the General Statutes, and to impose a civil penalty against Respondent pursuant to Section 36a-608(c) of the Connecticut General Statutes and Section 36a-50(a) of the of the 2022 Supplement to the General Statutes. Section 36a-50(a) of the 2022 Supplement to the General Statutes authorizes the Commissioner to impose a civil penalty upon Respondent in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation.

17. Respondent's failure to maintain a surety bond that runs concurrently with the period of its money transmission license, as required pursuant to Section 36a-602(a), as more fully described in paragraphs 12 through 15, inclusive, constitutes sufficient grounds for the Commissioner to revoke Respondent's license to engage in the business of money transmission in Connecticut pursuant to Section 36a-602(c) of the Connecticut General Statutes and subsections (a) and (b) of Section 36a-51 of the Connecticut General Statutes.

### **IV. NOTICE OF AUTOMATIC SUSPENSION, NOTICE OF INTENT TO REVOKE MONEY TRANSMISSION LICENSE, NOTICE OF INTENT TO ISSUE ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO IMPOSE CIVIL PENALTY AND NOTICE OF RIGHT TO HEARING**

**WHEREAS**, the Commissioner has reason to believe that Respondent has engaged in acts or conduct which forms a basis to issue an order to cease and desist against Respondent pursuant to Section 36a-608(c) of the Connecticut General Statutes and Section 36a-52(a) of the 2022 Supplement to the General Statutes, and to impose a civil penalty upon Respondent pursuant to Section 36a-608(c) of the Connecticut General Statutes and Section 36a-50(a) of the 2022 Supplement to the General Statutes.

**NOW THEREFORE**, pursuant to the authority granted in Section 36a-602(c) of the Connecticut General Statutes, the Commissioner gives **NOTICE** that on December 15, 2022, the license of BlockFi Trading, LLC d/b/a BlockFi Trading d/b/a BlockFi to engage in the business of money transmission in Connecticut was **AUTOMATICALLY SUSPENDED** pending proceedings for revocation.

**FURTHER**, notice is hereby given to Respondent that the Commissioner intends to issue an order to **REVOKE** Respondent's money transmission license in Connecticut, to issue an order requiring Respondent to **CEASE AND DESIST** from engaging in an unsafe or unsound practice within the meaning of Section 36a-608(a) of the Connecticut General Statutes and to impose a **CIVIL PENALTY** upon Respondent as set forth herein, subject to Respondent's right to a hearing on the allegations set forth above.

A hearing will be granted to Respondent if a written request for a hearing is received by the Department of Banking, Consumer Credit Division, 260 Constitution Plaza, Hartford, Connecticut 06103-1800 or submitted by e-mail to [DOB.hearingsupport@ct.gov](mailto:DOB.hearingsupport@ct.gov) within fourteen (14) days following Respondent's receipt of this Notice of Automatic Suspension, Notice of Intent to Revoke Money Transmission License, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing as set forth in Sections 36a-52(a) and 36a-50(a) of the 2022 Supplement to the General Statutes. This Notice of Automatic Suspension, Notice of Intent to Revoke Money Transmission License, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing shall be deemed received on the earlier of the date of actual receipt, or seven (7) days after mailing or sending. To request a hearing, complete and return the enclosed Appearance and Request for Hearing Form to one of the above-referenced addresses. If Respondent will not be represented by an attorney at the hearing, please complete the Appearance and Request for Hearing Form as "pro se". Once a written request for a hearing is received, the Commissioner may issue a notification of hearing and designation of hearing officer that acknowledges receipt of a request for a hearing, designates a hearing officer and sets the date of the hearing in accordance with Section 4-177 of the Connecticut General Statutes and Section 36a-1-21 of the

Regulations of Connecticut State Agencies. If a hearing is requested, the hearing will be held either in person or remotely via videoconference using Microsoft Teams on April 5, 2023, at 10 a.m.

If a hearing is requested, it will be held in accordance with the provisions of Chapter 54 of the Connecticut General Statutes, unless Respondent fails to appear at the requested hearing. At such hearing, Respondent will have the right to appear and present evidence, rebuttal evidence and argument on all issues of fact and law to be considered by the Commissioner. If the hearing is remote, it will be held in accordance with Section 149 of June Special Session Public Act 21-2, as amended by Section 1 of Public Act 22-3, and the Remote Hearing Guidelines available on the Department's website at <https://portal.ct.gov/dob>.

If Respondent does not request a hearing within the time period prescribed or fails to appear at any such hearing, the allegations herein will be deemed admitted. Accordingly, the Commissioner will issue an order revoking Respondent's money transmission license in Connecticut, will issue an order that Respondent cease and desist from engaging in an unsafe or unsound practice within the meaning of Section 36a-608(a) of the Connecticut General Statutes, and may order a civil penalty in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per violation be imposed upon Respondent.

So ordered at Hartford, Connecticut  
this 14th day of February 2023.

/s/  
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Jorge L. Perez  
Banking Commissioner

**CERTIFICATION**

I hereby certify that on this 14th day of February 2023, I caused to be mailed by certified mail, return receipt requested, the foregoing Notice of Automatic Suspension, Notice of Intent to Revoke Money Transmission License, Notice of Intent to Issue Order to Cease and Desist, Notice of Intent to Impose Civil Penalty and Notice of Right to Hearing to BlockFi Trading, LLC d/b/a BlockFi Trading d/b/a BlockFi, Attention: David Spack, Chief Compliance Officer, 115 Broadway, 11th Floor, New York, NY 10006, Certified Mail No. 70221670000209233064.

/s/  
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Emily B. Bochman  
Paralegal