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**IN THE MATTER OF:** \*  
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**TRADESTATION CRYPTO, INC.** \*  
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**("Respondent")** \*  
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**CONSENT ORDER**  
**No. CO-24-2023-48-S**

**I. PRELIMINARY STATEMENT**

**WHEREAS**, the Banking Commissioner ("Commissioner") is charged with the administration of Chapter 672a of the General Statutes of Connecticut, the Connecticut Uniform Securities Act ("Act"), and Sections 36b-31-2 to 36b-31-33, inclusive, of the Regulations of Connecticut State Agencies promulgated under the Act ("Regulations");

**WHEREAS**, TradeStation Crypto, Inc. (hereinafter "TCI") is part of a group of companies that engages in financial services. TCI maintains its principal address at 8050 SW 10th Street, Suite 2000, Plantation, Florida 33324;

**WHEREAS**, TCI has offered, and continues to offer, digital asset trading accounts to clients to purchase and sell digital assets;

**WHEREAS**, from approximately August 2020 until June 30, 2022, TCI's digital asset trading accounts had a feature that accrued and paid interest to customers on certain digital asset balances in their accounts (the "Interest Feature");

**WHEREAS**, state securities regulators, as part of a North American Securities Administrators Association, Inc. ("NASAA") Working Group that includes regulators from the states of Alabama, California, Mississippi, North Carolina, Ohio, South Carolina, Washington and Wisconsin (the "NASAA Working Group"), have conducted an investigation into whether the Interest Feature involved the offer and sale of unregistered securities by TCI to retail investors, among other things;

**WHEREAS**, without admitting or denying any findings of fact or conclusions of law, TCI has reached an agreement with the NASAA Working Group to resolve the investigation with respect to the 47 states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands (collectively, the "51 Jurisdictions") as follows: 1) TCI has advised the NASAA Working Group of its agreement to resolve the securities investigation pursuant to the terms of a global Consent Order and pursuant to the multistate resolution recommended by the NASAA Working Group; 2) TCI has agreed to cease and desist offering, selling, or renewing the Interest Feature or any security that is not registered, qualified, or exempt to new clients in the 51 Jurisdictions, unless and until the Interest Feature or other securities are registered, qualified, or otherwise exempt; 3) as of the date this Consent Order is entered by the Commissioner, TCI represents that it has amended and updated its terms of service, and any other terms or conditions of TCI's relationship with residents of the 51 Jurisdictions, to reflect that such residents are the title, beneficial, and legal owners of all assets held in their digital asset trading accounts with TCI; and 4) TCI shall pay up to a total of one million five hundred thousand dollars (\$1,500,000) in settlement payments divided equally among the 51 Jurisdictions and paid to each of the 51 Jurisdictions that enter into a consent order parallel to the terms of TCI's agreement with the NASAA Working Group;

**WHEREAS**, Section 36b-31(c) of the Act provides, in part, that: "To encourage uniform interpretation and administration of sections 36b-2 to 36b-33, inclusive, and effective securities regulation and enforcement, the commissioner may cooperate with the securities agencies or administrators of other states, Canadian provinces or territories ... [and] any national or international organization of securities officials or agencies, and any governmental law enforcement or regulatory agency. The cooperation authorized by this subsection includes, but is not limited to, the following actions ... (2) conducting joint

... investigations; (3) sharing and exchanging information and documents subject to the restrictions of chapter 3; ... and (5) executing joint agreements, memoranda of understanding and orders;"

**WHEREAS**, the Commissioner, acting pursuant to Sections 36b-31(c) and 36b-26 of the Act and through the Securities and Business Investments Division, conducted an investigation into the activities of Respondent to determine whether it had violated any provision of the Act or any regulation or order under the Act;

**WHEREAS**, Section 36b-27(a) of the Act authorizes the Commissioner to order any person who has violated, is violating or is about to violate any provision of the Act or any regulation, rule or order adopted or issued under the Act to cease and desist from such violation, and Section 36b-27(d) of the Act authorizes the Commissioner to impose a fine against any person who has violated any provision of the Act or any regulation, rule or order adopted or issued under the Act;

**WHEREAS**, an administrative proceeding under Section 36b-27 of the Act would constitute a "contested case" within the meaning of Section 4-166(4) of the General Statutes of Connecticut;

**WHEREAS**, Section 4-177(c) of the General Statutes of Connecticut 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**, Section 36b-31(a) of the Act provides, in relevant part, that "[t]he commissioner may from time to time make ... such ... orders as are necessary to carry out the provisions of sections 36b-2 to 36b-34, inclusive";

**WHEREAS**, Section 36b-31(b) of the Act provides, in relevant part, that "[n]o ... order may be made ... unless the commissioner finds that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of sections 36b-2 to 36b-34, inclusive";

**WHEREAS**, Respondent, without admitting or denying the Findings of Fact and Conclusions of Law set forth below and solely for the purposes of this Consent Order, admits the jurisdiction of the Commissioner, voluntarily consents to the entry of this Consent Order, and voluntarily waives the following rights: (1) to be afforded notice and an opportunity for a hearing within the meaning of

Sections 36b-27(a) and 36b-27(d)(2) of the Act and Section 4-177(a) of the General Statutes of Connecticut; (2) to present evidence and argument and to otherwise avail itself of Sections 36b-27(a) and 36b-27(d)(2) of the Act and Section 4-177c(a) of the General Statutes of Connecticut; (3) to present its position in a hearing in which it is represented by counsel; (4) to have a written record of the hearing made and a written decision issued by a hearing officer; and (5) to seek judicial review of, or otherwise challenge or contest the matters described herein, including the validity of this Consent Order.

Notwithstanding the foregoing, TCI will admit to the findings of fact and conclusions of law solely for the purposes of exceptions to discharge in bankruptcy proceedings under any jurisdiction, including the proceedings set forth in Sections 523 and 1192 of the Bankruptcy Code, 11 U.S.C. §§ 523; 1192 (1978).;

**WHEREAS**, Respondent acknowledges that it has had the opportunity to consult with and be represented by independent counsel in negotiating and reviewing this Consent Order and that it executes this Consent Order freely;

**WHEREAS**, the Commissioner finds that the entry of this Consent Order is necessary or appropriate in the public interest and consistent with the purposes fairly intended by the policy and provisions of the Act;

**NOW THEREFORE**, the Commissioner hereby enters this Consent Order.

## **II. FINDINGS OF FACT**

1. TCI is a Florida corporation that was formed in June 2018 and is in the business of providing online digital asset trading accounts to self-directed retail and institutional investors and traders for the purpose of buying, selling, trading, and holding certain digital assets, which today includes Bitcoin (BTC), Ether (ETH) and USD Coin (USDC).
2. TCI is a subsidiary of TradeStation Group, Inc., which is headquartered in Plantation, Florida. Since 2011, TradeStation Group, Inc. has been a wholly-owned subsidiary of Monex Group, Inc. ("Monex"), a publicly traded Japanese corporation listed on the Tokyo Stock Exchange. TradeStation Group, Inc. is also the parent company of TradeStation Securities, Inc. and TradeStation Technologies, Inc. which also have their principal place of business in Plantation, Florida.

3. TCI is a registered Virtual Currency Licensee and Money Transmitter Licensee, including Currency Exchange, and holds a money transmitter license with the Commissioner;
4. TCI's affiliates, specifically TCI, TradeStation Securities, Inc., and TradeStation Technologies, Inc., all use brand messaging under the "TradeStation" trademark to advertise their respective platforms and services.

**The Offer and Sale of Securities in  
Connecticut and Nationwide**

5. TCI began offering its digital asset trading accounts in or around April 2020 to Connecticut residents. From August 1, 2020 to June 30, 2022 (the "Offering Period"), TCI offered the Interest Feature to at least 134 Connecticut investors. Through the Interest Feature, TCI paid interest to customers who held digital asset balances in their TCI digital asset trading accounts. To pay the interest, TCI generated revenue through lending both firm-owned and customer-owned digital assets to institutional borrowers, from commissions earned by TCI customer trading activity in their digital asset trading accounts, and from capital that was contributed to TCI in connection with the start-up of its business operations. On June 30, 2022, at the end of the Offering Period, there were 142 active Connecticut digital asset trading accounts with TCI, collectively valued at over \$779,170 USD. Nationally, at the end of the Offering Period, there were a total of 11,958 active digital asset trading accounts with TCI, with assets under custody totaling \$98,214,155.40 USD.

**TCI's Interest Feature**

6. During the Offering Period, TCI advertised that customers could "actively trade and earn interest on eligible crypto assets simultaneously." TCI described the Interest Feature as "passive income." TCI advertised that customers could earn up to 6 percent interest on eligible digital assets that customers held in digital asset trading accounts with TCI. TCI paid interest on several types of digital assets, including Bitcoin, Ether, Litecoin, Bitcoin Cash, and USDC Stablecoin.
7. TCI offered its digital asset trading accounts to the general public through the

TradeStation website (www.TradeStation.com). The website supports TradeStation Securities, Inc., TradeStation Technologies, Inc. and TCI. TCI also offered a mobile version of its web application for trading digital assets.

8. TCI promoted the Interest Feature in internet ads that would appear in search engine results based on certain terms searched by customers. TCI promoted the Interest Feature by advertising, for example: "Automatically Earn Interest on Eligible Crypto Balances with No Limits or Lockups," "Easily Customize the Trading Interface, Analyze Prices & Keep Track of Interest Income," "We Put the Power in Your Hands to Buy, Sell, Invest, and Earn Cryptocurrencies," and "Join the New Digital Economy with TradeStation Crypto to Learn, Invest, and Earn Crypto."
9. TCI allowed eligible customers to apply for a digital asset trading account by utilizing a unified TradeStation online account opening process (the "AOP") that allowed prospective customers to select and apply for the desired account type. As part of the AOP, prospective customers provided personal information for the purpose of Know Your Customer (KYC) and Anti Money Laundering (AML) checks. Socure, a third-party identity verification provider, then verified customer-provided information against Socure-sourced information, including public records.
10. TCI set interest rates and credited TCI customer accounts with earned interest on a monthly basis. According to TCI, the interest "accumulates daily and is paid and compounds monthly directly in your TradeStation Crypto account." TCI based interest rates on a number of factors, including, but not limited to, the rates TCI earned from borrowers, economic, and competitive factors.
11. TCI commingled customers' like-kind digital assets together and rehypothecated, or used, the customers' digital assets to lend to "trusted institutional or corporate borrowers," such as BlockFi Lending LLC and Genesis Global Capital, LLC-both of which have since filed for bankruptcy protection. TCI represented that notwithstanding, no borrower failed to return all digital assets lent by TCI to them, and none of TCI's customers lost money

from the Interest Feature.

12. TCI represented that it implemented various risk mitigation strategies towards its lending activities and that all loans made by it were fully secured. TCI set the amount of crypto assets that it was willing to lend to individual borrowers depending on the borrower's credit profile. TCI further represented that it utilized its "automated risk management system" to "monitor positions 24/7" and maintained a reserve balance to fulfill TCI customer withdrawal demands. Further, TCI claimed to maintain an internal risk committee to evaluate, among other things, credit and market risks that may affect its business. Customer account balances with TCI were not SIPC or FDIC insured.
13. During the account opening process, TCI required customers to agree to the rehypothecation of their digital assets when the customer accepted the TCI Terms, including the Customer Account Agreement, during account set-up. Specifically, TCI required that customers agree that TCI may hold the digital assets in TCI's name, that their digital assets could be commingled with other customers' digital assets, and that TCI could "pledge, repledge, hypothecate, rehypothecate, loan or invest" the digital assets. Further, the agreements provided that TCI was under no obligation to share with its customers any of the interest revenue generated by TCI's lending arrangements.
14. Customer deposits into TCI's digital asset trading accounts during the period when the Interest Feature was offered were passive investments. TCI alone determined how customer assets were deployed; TCI customers had no control over how their assets were invested. TCI required that customers give up certain rights to their assets-specifically, that customers agreed to allow TCI to "pledge, repledge, hypothecate, rehypothecate, loan or invest" digital assets.
15. On or about June 30, 2022, TCI discontinued the Interest Feature and ceased all lending activities of customer assets.

**Failure to Comply with Registration  
Requirements**

16. During the Offering Period, TCI's offer and sale of securities in the form of the Interest Feature was not offered or sold pursuant to an exemption or exception from registration.
17. During the Offering Period, TCI offered and sold securities in Connecticut that were unregistered or did not meet an exemption for registration as required by Section 36b-16 of the Act.

**III. CONCLUSIONS OF LAW**

The Commissioner finds that sufficient grounds would exist to initiate enforcement proceedings against Respondent under Section 36b-27 of the Act, based on the following, all of which are more fully described above, after granting Respondent an opportunity for a hearing:

1. The offer and/or sale of the Interest Feature within digital assets trading accounts maintained by customers as described above constitutes the offer and/or sale of a security as defined in Section 36b-3(19) of the Act.
2. During the Offering Period, TCI's offer and sale of securities in Connecticut that were unregistered, or did not meet an exemption for registration, violated Section 36b-16 of the Act.

**IV. CONSENT ORDER**

Based on the Findings of Facts, Conclusions of Law, and TCI's consent to the entry of this Consent Order,

**IT IS HEREBY ORDERED THAT:**

1. Respondent shall **CEASE AND DESIST** from engaging, directly or indirectly, in conduct constituting or which would constitute a violation of Section 36b-16 of the Act, including without limitation, offering or selling the Interest Feature or any security absent compliance with Section 36b-16 of the Act. Nothing in this Consent Order shall be construed to limit the authority of the Commissioner to take future enforcement action against Respondent based on matters not resolved herein should Respondent violate the Act or any regulation or order under the Act;
2. No later than the date the Commissioner enters this Consent Order, Respondent shall pay to the



"Treasurer, State of Connecticut", by certified bank check or by Automated Clearing House (ACH) electronic funds transfer, the sum of twenty-nine thousand four hundred eleven and 76/100 dollars (\$29,411.76) as an administrative fine. Payments must be accompanied by a cover letter identifying TCI (with relevant tax identification numbers) and the file number of these proceedings to facilitate processing.

3. This Consent Order is entered into solely for the purpose of resolving the referenced multi-state securities investigation with respect to the Interest Feature and is not intended to be used for any other purpose. Other than the obligations and provisions set forth herein, this Consent Order does not limit or create liability for TCI nor limit or create defenses for TCI to any claims. If any state securities regulator determines not to accept the settlement offer of Respondent reflected herein, the monetary payments to Connecticut hereunder shall not be affected, and Respondent shall not be relieved of any of the non-monetary provisions of this Consent Order.
4. This Order concludes the securities investigation by the Commissioner with respect to TCI's Interest Feature and resolves any other securities action the Commissioner could commence against TCI and its affiliates concerning the Findings of Fact and Conclusions of Law contained herein, including those relating to the offer and sale of the Interest Feature without registration, qualification, or compliance with an exemption from registration under the Act.
5. This Consent Order is not intended to subject any Covered Person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, Guam, or the U.S. Virgin Islands, or under the rules or regulations of any securities or commodities regulator or self-regulatory organization, including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Persons" means TCI, all of its parent companies, and all of its affiliates and their current or former officers, directors, employees, contractors, or other persons that could otherwise be disqualified as a result of the Order.
6. This Consent Order shall be binding upon Respondent and its successors and assigns, as well as

the successors and assigns of relevant affiliates, with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

**NOW THEREFORE**, the Commissioner enters the following:

1. The Findings of Fact, Conclusions of Law and Consent Order set forth above, be and are hereby entered;
2. Entry of this Consent Order by the Commissioner is without prejudice to the right of the Commissioner to take enforcement action against Respondent based upon a violation of this Consent Order if the Commissioner determines that compliance with the terms herein is not being observed or if any representation or undertaking made by Respondent and reflected herein is subsequently determined to be untrue; and
3. This Consent Order shall become final when entered.

So ordered at Hartford, Connecticut  
this 18<sup>th</sup> day of January 2024.

\_\_\_\_\_/s/  
Jorge L. Perez  
Banking Commissioner

**CONSENT TO ENTRY OF ORDER**

I, David Schubauer, state on behalf of TradeStation Crypto, Inc., 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 TradeStation Crypto, Inc.; that TradeStation Crypto, Inc. agrees freely and without threat or coercion of any kind to comply with the terms and conditions stated herein; and that TradeStation Crypto, Inc. consents to the entry of this Consent Order. TCI agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative fine or investigative costs that TCI shall pay pursuant to this Consent Order.

TradeStation Crypto, Inc.

\_\_\_\_\_/s/\_\_\_\_\_  
By: David Schubauer  
Title: General Counsel

State of: Florida

County of: Broward

On this the 11<sup>th</sup> day of January, 2024 before me, the undersigned officer, personally appeared David Schulbauter who acknowledged himself/herself to be the General Counsel of TradeStation Crypto, Inc., a corporation, and that she/he, as such General Counsel, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation company by herself/himself as General Counsel.

In witness whereof I hereunto set my hand.

\_\_\_\_\_/s/\_\_\_\_\_  
Notary Public  
Date Commission Expires: 07/26/2025