



STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:)
)
BLOCKFI LENDING LLC,) AP-22-07
)
Respondent.)

CONSENT ORDER

1. State securities regulators, as members of the North American Securities Administrators Association (“NASAA”), formed a working group (the “**Multistate Working Group**”) and conducted a multistate investigation into Respondent. Respondent cooperated with the state securities regulators and the Multistate Working Group conducting the investigation by responding to inquiries, providing documentary evidence and other materials, and providing access to facts relating to the investigations.
2. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“**Enforcement Section**”), through Director of Enforcement Douglas M. Jacoby, alleges that between March 4, 2019 through February 14, 2022 (the “**Relevant Period**”), Respondent engaged in activities that constitute violations of Sections 409.3-301 and 409.5-501 under the Missouri Securities Act of 2003, Chapter 409, *et seq.* (“**the Act**”).¹
3. Respondent and the Missouri Securities Division (“**Securities Division**”) desire to settle the allegations and the matter raised by the Securities Division relating to the alleged violations of Sections 409.3-301 and 409.5-501.

CONSENT TO JURISDICTION

4. Respondent and the Securities Division stipulate and agree that the Missouri Commissioner of Securities (“**the Commissioner**”) has jurisdiction over Respondent and this matter pursuant to the Act.
5. Respondent and the Securities Division stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

¹ Unless otherwise indicated, statutory citations refer to the 2016 edition of the Revised Statutes of Missouri, updated by the 2021 Cumulative Supplement.

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

WAIVER AND EXCEPTION

6. Respondent waives any right to a hearing with respect to this matter.
7. Respondent waives any rights that it may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of the Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
8. Respondent stipulates and agrees with the Securities Division that, should the facts contained herein prove to be materially false or incomplete, the Securities Division reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER’S ORDER

9. Respondent and the Securities Division stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
10. Respondent agrees not to make any public statement that contradicts the Findings of Fact and Conclusions of Law in this Order. Nothing in this paragraph affects Respondent’s (a) testimonial obligations; (b) rights to take legal or factual positions in defense of litigation or in defense of other legal proceedings in which the Commissioner is not a party; or (c) rights to make public statements that are factual.
11. Respondent agrees that, under Missouri law, it is not the prevailing party in this action since the parties have reached a good faith settlement.
12. Respondent neither admits nor denies the Findings of Fact and Conclusions of Law made by the Securities Division or the Commissioner, but consents to entry of this Order by the Commissioner solely for the purposes of resolving this proceeding.
12. This Order concludes the investigation by the Commissioner and resolves any other action the Commissioner could commence against BlockFi Lending LLC (“BlockFi”) and its affiliates concerning the Findings of Fact and Conclusions of Law, including as it relates to the offer and sale of BlockFi interest accounts (“BIAs”) without registration, qualification, or otherwise complying with an exemption and the below-described statement regarding BlockFi’s collateral practices made thereto during the Relevant Period.
13. This Order is entered into solely for the purpose of resolving the referenced multistate investigation and is not intended to be used for any other purpose. Other than the obligations

and provisions set forth herein, this Order does not limit or create liability for BlockFi nor limit or create defenses for BlockFi to any claims.

14. This Order and the order of any other State in any proceeding related to BlockFi's agreement to resolve the above-referenced multistate investigation (collectively, the "Orders") shall not be used as sole grounds to deny registration or qualification of securities issued by BlockFi or its parent BlockFi Inc.
15. This 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, 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 BlockFi, its parent, or any of its affiliates and their current or former officers, directors, employees, or other persons that could otherwise be disqualified as a result of the Orders.
16. This Order does not preclude BlockFi from paying interest or returns to existing clients, refunding principal to investors consistent with the terms of the BIAs, or otherwise lawfully dealing with existing clientele.

THE COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

17. BlockFi Inc., a Delaware corporation, incorporated on August 1, 2017, with offices at 201 Montgomery Street, Suite 263, Jersey City, New Jersey, is a financial services company that, through its subsidiaries, generates revenue through cryptocurrency and other digital asset trading, lending, and borrowing, as well as investments and other types of transactions.
18. BlockFi Trading LLC, a Delaware limited liability company formed on May 28, 2019, with offices at 201 Montgomery Street, Suite 263, Jersey City, New Jersey, is a wholly owned subsidiary of BlockFi Inc. and acts as a money transmitter that accepts money and digital assets from investors and transfers the funds to BlockFi for investment in BIAs.
19. BlockFi, a Delaware limited liability company formed on January 11, 2018, with offices at 201 Montgomery Street, Suite 263, Jersey City, New Jersey, is a wholly owned subsidiary of BlockFi Inc. and an affiliate of BlockFi Trading LLC and is the issuer of the BIAs.
20. Starting on January 7, 2021, members of the Multistate Working Group contacted BlockFi to notify it that it may have offered and sold securities that may not comply with state securities laws.
21. On July 19, 2021, New Jersey filed a summary cease and desist order alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.

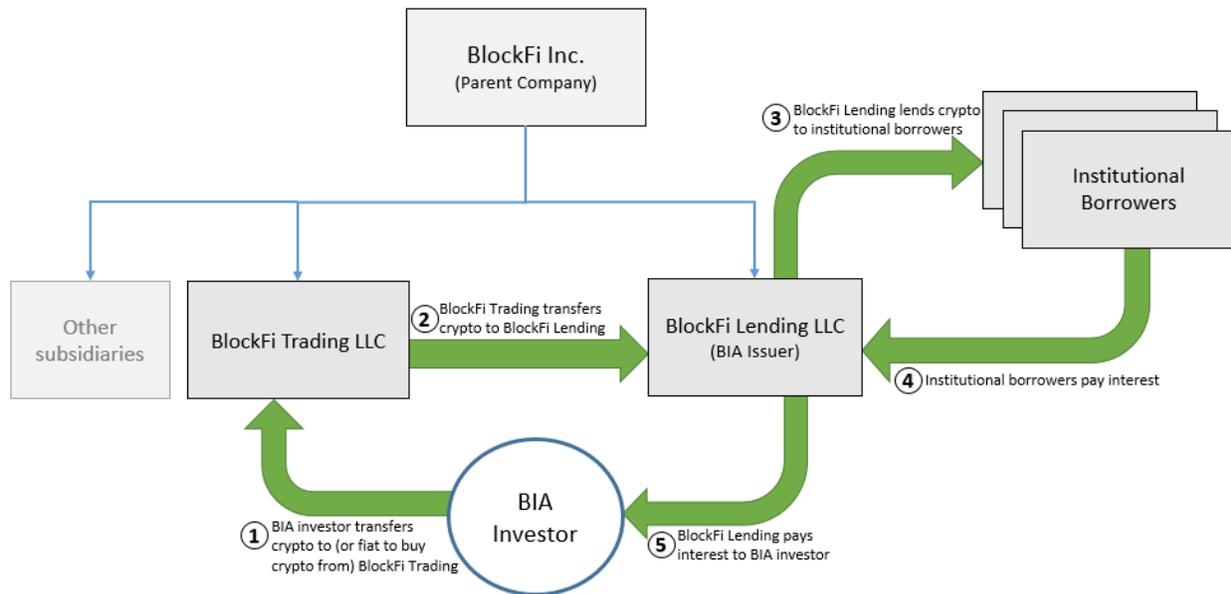
22. On July 22, 2021, Alabama filed an order to show cause alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.
23. On July 22, 2021, Texas filed a notice of hearing alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.
24. On July 22, 2021, Vermont filed a show cause order alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.
25. On July 29, 2021, Kentucky filed an emergency cease and desist order alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.
26. On September 23, 2021, Washington filed a statement of charges alleging BlockFi and its parent and affiliate, BlockFi Inc. and BlockFi Trading LLC, were offering and selling unregistered securities in the form of BIAs.
27. On February 14, 2022, BlockFi agreed to cease and desist offering and selling BIAs nationwide to new investors in the United States and cease and desist accepting further investments or funds in the BIAs by current U.S. investors, including in Missouri.

THE OFFER AND SALE OF SECURITIES NATIONWIDE

28. During the Relevant Period, BlockFi has offered and sold securities in the form of interest-bearing digital asset accounts called BIAs and marketed, offered, and sold those securities to Missouri residents.
29. On March 4, 2019, BlockFi publicly announced the launch of the BIAs, through which investors could lend digital assets to BlockFi and in exchange, receive interest, “paid monthly in cryptocurrency.” Interest began accruing the day after assets were transmitted to BlockFi and compounded monthly, with interest payments made to accounts associated with each BIA investor, in digital assets, on or about the first business day of each month.
30. Investors in BIAs lent digital assets to BlockFi in exchange for BlockFi’s promise to provide a variable monthly interest payment.
31. BlockFi represented it generated the interest it paid BIA investors by deploying investors’ digital assets in various ways, including loans made to institutional investors, lending U.S. dollars to retail investors, and investing in digital assets, equities, and futures.
32. Under BlockFi’s terms for the BIAs, investors:
 - a. grant BlockFi the right, without further notice to [the investor], to hold the cryptocurrency held in [the] account in BlockFi’s name or in another name, and to

pledge, re-pledge, hypothecate, rehypothecate, sell, lend, or otherwise transfer, invest or use 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 in BlockFi’s possession and/or control a like amount of cryptocurrency, and to use or invest such cryptocurrency at its own risk.

33. BlockFi offered and sold BIAs to obtain digital assets for the general use of its business, namely to use the assets in its lending and investment activities, which generated income both for BlockFi and to pay interest to BIA investors. BlockFi pooled the loaned assets, and exercised full discretion over how much to hold, lend, and invest. BlockFi had complete legal ownership and control over the digital assets loaned to it by BIA investors and advertised that it managed the risks involved.
34. To begin investing in a BIA, an investor could transfer digital assets to the digital wallet address assigned by BlockFi to the investor or purchase digital assets with fiat currency from BlockFi Trading LLC for the purpose of investing in a BIA. BlockFi Trading LLC accepted the digital asset or fiat from the investor, and then transferred the asset to BlockFi. BlockFi did not hold private keys for the investors’ wallet addresses; rather, investors’ digital assets were sent to BlockFi’s wallet addresses at third-party custodians.



35. BIA investors were permitted to withdraw the equivalent to the digital assets they loaned to BlockFi and accrued interest at any time, with some limitations, and could borrow money in U.S. dollars against the amount of digital assets deposited in BIAs.
36. BlockFi adjusted the interest rates payable on BIAs for particular digital assets periodically, and typically at the start of each month. BlockFi set the rates based, in part, on “the yield that [BlockFi] can generate from lending,” to institutional borrowers, and thus interest rates were correlated with the efforts that BlockFi put in to generate that yield. BlockFi periodically adjusted its interest rates payable on the BIAs in part after analysis of current yield on its

investment and lending activity. BIA investors could demand that BlockFi repay the loaned digital assets at any time.

37. As of March 31, 2021, BlockFi and its affiliates held approximately \$14.7 billion in BIA investor assets. As of December 8, 2021, BlockFi and its affiliates held approximately \$10.4 billion in BIA investor assets, and had approximately 572,160 BIA investors, including 391,105 investors in the United States.
38. As of December 31, 2019, BlockFi and its affiliates held approximately \$1,104,808 in BIA investor assets from 70 Missouri residents. As of December 31, 2020, BlockFi and its affiliates held approximately \$21,232,307 in BIA investor assets from 738 Missouri residents. As of December 31, 2021, BlockFi and its affiliates held approximately \$64,652,312 in BIA investor assets from 5,369 Missouri residents.

MARKETING BLOCKFI'S BIA

39. BlockFi offered and sold the BIA securities to investors, including retail investors, through advertising and general solicitations on its website, www.blockfi.com. BlockFi also promoted distribution of the BIA offering through its social media accounts, including YouTube, Twitter, and Facebook. In addition, through its “Partner” program, an affiliate marketing program in which participants could “earn passive income by introducing your audience to financial tools for crypto investors,” BlockFi extended its distribution of the BIA securities to retail investors through certain offers and promotions.
40. BlockFi regularly touted the profits investors may earn by investing in a BIA. When announcing the BIA, BlockFi promoted the interest earned, promising “an industry-leading 6.2% [annual percentage yield],” compounded monthly. BlockFi described it as “an easy way for crypto investors to earn bitcoin as they HODL.”
41. Within the first few weeks of launching the BIA, BlockFi again touted investors’ potential for profit. On March 20, 2019, BlockFi announced that BIAs experienced significant growth, including from large firms who participated in BIAs “as a way to bolster their returns.” BlockFi asserted that its “mission is to provide the average crypto investor with the tools to build their wealth,” and that it “look[ed] forward to giving even more investors a chance to earn a yield on their crypto.”
42. On April 1, 2019, BlockFi began to “tier” the interest rates that investors received, initially announcing that “BIA balances of up to and including 25 [Bitcoin] or 500 [Ether] (equivalent to roughly \$100,000 and \$70,000 respectively) will earn the 6.2% APY interest rate. All balances over that limit will earn a tiered rate of 2% interest.” Even when changing the interest rates customers receive, BlockFi touted the yields to investors. On August 27, 2021, BlockFi stated that the adjustments to interest rates are done “with the goal of maintaining great rates for the maximum number of clients.”
43. On January 1, 2021, BlockFi advertised that it had “distributed more than \$50 million in monthly interest payments to [its] clients.”

44. As of November 1, 2021, the interest rates BlockFi paid investors ranged from 0.1% to 9.5%, depending on the type of digital asset and the size of the investment. For example, investors could receive 9.5% in interest for up to 40,000 Tether (“USDT”) and 8.5% for anything over 40,000 USDT, as well as 4.5% interest for up to 0.1 Bitcoin (“BTC”), 1% for 0.1 to 0.35 BTC, and 0.1% for anything over 0.35 BTC.

MISREPRESENTATION OF COLLATERALIZATION PRACTICES FOR INSTITUTIONAL LOANS

45. BlockFi’s offer of BIAs included an untrue statement of material fact or an omission of a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading, on its website from March 4, 2019 to August 31, 2021, concerning its collateral practices and, therefore, the risks associated with its lending activity.
46. Beginning at the time of the BIA launch on March 4, 2019 and continuing to August 31, 2021, BlockFi made a statement in multiple website posts that its institutional loans were “typically” over-collateralized, when in fact, most institutional loans were not.
47. When BlockFi began offering the BIA investment, it intended to require over-collateralization on a majority of its loans to institutional investors, but it quickly became apparent that large institutional investors were frequently not willing to post large amounts of collateral to secure their loans.
48. Approximately 24% of institutional digital asset loans made in 2019 were over-collateralized; in 2020 approximately 16% were over-collateralized; and in 2021 (through June 30, 2021) approximately 17% were over-collateralized.
49. As a result, BlockFi’s statement materially overstated the degree to which it secured protection from defaults by institutional borrowers through collateral. Through operational oversight, BlockFi’s personnel failed to take steps to update the website statement to accurately reflect the fact that most institutional loans were not over-collateralized.
50. Although BlockFi made other disclosures on its website regarding its risk management practices, because of BlockFi’s misrepresentations and omissions about the level of risk in its loan portfolio, BIA investors did not have complete and accurate information with which to evaluate the risk that, in the event of defaults by its institutional borrowers, BlockFi would be unable to comply with its obligation to pay BIA investors the stated interest rates or return the loaned digital assets and accrued interest to investors upon demand.

FAILURE TO COMPLY WITH REGISTRATION REQUIREMENTS

51. During the Relevant Period, BlockFi’s offer and sale of BIAs was not done subject to an exception or exemption from Section 409.3-301, RSMo.
52. During the Relevant Period, BlockFi offered and sold securities in Missouri that were not registered or permitted for sale in Missouri as required by Section 409.3-301, RSMo.

UNDERTAKING

53. BlockFi's parent, BlockFi Inc., undertakes and agrees to file with the Commissioner for registration to offer and sell a new investment product, BlockFi Yield, which BlockFi Inc. intends to register under the federal Securities Act of 1933, as required by Section 409.3-301 and in compliance with Section 409.3-303, RSMo.
54. BlockFi and BlockFi's parent, BlockFi Inc., further undertake and agree to cease and desist offering or selling BIAs or any security that is not registered, qualified, or exempt to new investors in the United States and cease and desist accepting further investments or funds in the BIAs by current U.S. investors unless and until the BIAs or other securities have been registered with the Commissioner or are otherwise exempt.
55. BlockFi's parent, BlockFi Inc., undertakes and agrees, in connection with the offer, sale, or purchase of a security, directly or indirectly, to cease and desist making any untrue statements of material fact or omit to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading.
56. BlockFi undertakes and agrees to pay the amount of \$943,396.22.

II. CONCLUSIONS OF LAW

57. **THE COMMISSIONER CONCLUDES** that the BIAs are securities as defined in Section 409.1-102(28), RSMo.
58. **THE COMMISSIONER CONCLUDES** that during the Relevant Period, BlockFi's offer and sale of the BIA securities in Missouri that were not registered or permitted for sale in Missouri violated Section 409.3-301, RSMo.
59. **THE COMMISSIONER CONCLUDES** that during the Relevant Period, BlockFi's offer included an untrue statement of material fact or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading, on its website concerning its collateral practices and, therefore, the risks associated with its lending activity violated Section 409.5-501, RSMo.
60. **THE COMMISSIONER CONCLUDES** that the violations above are sufficient to issue an order in accordance with Section 409.6-604, RSMo.
61. The Commissioner, after consideration of the stipulations set forth above and on consent of the Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondent in this matter and that the following order is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by Chapter 409.

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

62. Respondent shall cease and desist from offering or selling the BIAs or any security that is not registered, qualified, or exempt to new investors in Missouri and cease and desist accepting further investments or funds in the BIAs by current Missouri investors, unless and until the BIAs or other securities are registered or otherwise exempt in Missouri;
63. Respondent shall pay the amount of \$943,396.22 to the Missouri Secretary of State's Investor Education and Protection Fund. **If timely payment is not made, additional interest shall accrue at a rate of eight percent pursuant to the mandatory interest requirement in Section 409.6-604, RSMo.;**
64. Payment shall be made in the following installments:
 - a. \$188,679.24 within 14 days of the entry of this Order,
 - b. \$188,679.24 no later than August 15, 2022,
 - c. \$188,679.24 no later than February 14, 2023,
 - d. \$188,679.24 no later than August 14, 2023, and
 - e. \$188,679.26 no later than February 14, 2024;
65. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commissioner without further application to the Commissioner;
66. Payment must be made by delivery of a cashier's check to the Commissioner made payable to the **Missouri Secretary of State's Investor Education and Protection Fund** and hand delivered or mailed to:

Missouri Securities Division
600 W. Main Street
Jefferson City, Missouri 65101

Payments must be accompanied by a cover letter identifying BlockFi and the file number of these proceedings. A copy of the cover letter must be sent to Douglas M. Jacoby, Director of Enforcement, by mail at the Missouri Securities Division, 600 W. Main Street, Jefferson City, Missouri 65101 or by electronic mail to douglas.jacoby@sos.mo.gov;

- 67. This Order shall be binding upon Respondent, its parent and affiliates, and their respective successors and assigns with respect to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions;
- 68. Respondent, its agents and employees, and all other persons participating in the above-described alleged violations with knowledge of this Order, are permanently enjoined and restrained from engaging in violations of Sections 409.3-301 and 409.5-501; and
- 69. Respondent shall pay its own costs and attorneys' fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 25th DAY OF MARCH, 2022.



JOHN R. ASHCROFT SECRETARY OF STATE

A handwritten signature in blue ink, appearing to read "David M. Minnick", is written over a horizontal line.

DAVID M. MINNICK
COMMISSIONER OF SECURITIES

Consented to by:

THE MISSOURI SECURITIES DIVISION

A handwritten signature in blue ink, appearing to read "Douglas M. Jacoby", is written over a horizontal line.

Douglas M. Jacoby
Director of Enforcement

CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY BLOCKFI

BlockFi hereby acknowledges that it has been served with a copy of this Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

BlockFi admits the jurisdiction of the Commissioner, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Commissioner as settlement of the issues contained in this Order.

BlockFi 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 that BlockFi shall pay pursuant to this Order.

BlockFi states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

_____ represents that s/he is _____ of BlockFi and that, as such, has been authorized by BlockFi to enter into this Order for and on behalf of BlockFi.

Dated this ____ day of _____, 2022.

BlockFi Lending LLC

By:

Title:

CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY BLOCKFI INC.

BlockFi Inc., BlockFi Lending LLC’s parent, hereby acknowledges that it has been served with a copy of this Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

BlockFi Inc. admits the jurisdiction of the Commissioner, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Commissioner as settlement of the issues contained in this Order.

BlockFi Inc. unconditionally guarantees payment of the administrative fine in the amount of Nine Hundred forty-three thousand three hundred ninety-six dollars and twenty-two cents (\$943,396.22) as agreed in this Order.

BlockFi Inc. 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 that BlockFi Inc. shall pay pursuant to this Order.

BlockFi Inc. states that no promise of any kind or nature whatsoever was made to it to induce it to consent to this Order and that it has consented to this Order voluntarily.

_____ represents that s/he is _____ of BlockFi Inc., and that, as such, has been authorized by BlockFi Inc. to enter into this Order for and on behalf of BlockFi Inc.

Dated this ____ day of _____, 2022.

BlockFi Inc.

By:

Title: