

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

IN THE MATTER OF:)	
)	
TRADESTATION CRYPTO, INC.,)	CONSENT ORDER
)	Matter No. 20231950
Respondent.)	
_____)	

I. PRELIMINARY STATEMENT

WHEREAS, pursuant to the authority granted to the Securities Commissioner of South Carolina (the “Securities Commissioner”) under the South Carolina Uniform Securities Act of 2005, S.C. Code Ann. § 35-1-101, _____, and the regulations and rules promulgated thereunder (collectively, the “Act”), and delegated to the Securities Division of the Office of the Attorney General of the State of South Carolina (the “Division”) by the Securities Commissioner, the Division conducted an investigation into the securities-related activities of Tradestation Crypto, Inc. (hereinafter, “TCI” or the “Respondent”);

WHEREAS, TCI is part of a group of companies that engage in financial services;

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 (“NASAA”) Working Group that includes regulators from the states of Alabama, California, Mississippi, North Carolina, Ohio, South Carolina, Washington, and

4. TCI is a registered Money Transmitter Licensee and Currency Exchange with the Money Services Division of the Office of the South Carolina Attorney General.

5. These 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.

IV. FINDINGS OF FACT

A. The Offer and Sale of Securities in South Carolina and Nationwide

6. TCI began offering its digital asset trading accounts in or around June 4, 2020, to South Carolina residents. From August 1, 2020, to June 30, 2022 (the “Offering Period”), TCI offered the Interest Feature to at least one hundred and fifty-four (154) South Carolina investors.

7. 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.

8. On June 30, 2022, at the end of the Offering Period, there were one hundred and sixty-

B. TCI's Interest Feature

9. 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.

12. 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.

13. 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.

14. 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.

15. TCI ra.5 Tw 3 0 Tdt4 (.5 Tw 3s (ndi)69 (e.9 (a)30ndi)69 d)2 (heh)2ctot it i223tilie.9 (i)69 dhvs

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.

16. During the AOP, TCI required customers to agree to the rehypothecation of their digital assets when the customer accepted the TCI Terms, including the Customer Account

V. CONCLUSIONS OF LAW

21. Paragraphs 1 through 20 are incorporated by reference as though fully set forth herein.

22. 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 S.C. Code Ann. § 35-1-102(29).

23. Pursuant to S.C. Code Ann. § 35-1-301, it is unlawful for a person to offer or sell a security in this State unless: (

a. TCF may transmit payment electronically to the Division.

§ 12-5-1

b. TCF may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities Division of the South Carolina

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consents to entry of the Order by the Division as settlement of the issues contained in the 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 and all jurisdictions, including the proceedings set forth in Sections 523 and 1192 of the Bankruptcy Code, 11 U.S.C. §§ 523; 1192.

6. No Tax Deduction or Credit.

10. Headings. The headings to the paragraphs of the Order are inserted for convenience only and will not be deemed a part hereof or affect the construction or interpretation of the provisions hereof.

11. Binding. The Order is binding on all of TCI's heirs, assigns, and/or successors in interest.

contemporaneous agreements, negotiations, representations, understandings, and discussions between and among the parties, their respective representatives, and any other person or entity,

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To the Division:

South Carolina Attorney General's Office
Securities Division

