

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:	)	
	)	
	)	
TRADESTATION CRYPTO, INC.,	)	Docket No. E-2024-0069
	)	
RESPONDENT.	)	

**CONSENT ORDER**

**I. PRELIMINARY STATEMENT**

This Consent Order (the “Order”) is entered into by the Securities Division of the Office of the Secretary of the Commonwealth of Massachusetts (the “Division”) and respondent TradeStation Crypto, Inc. (“TCI”) with respect to the above-captioned investigation by the Enforcement Section of the Massachusetts Securities Division (the “Enforcement Section” and the “Division,” respectively) into whether TCI engaged in acts or practices that violated the Massachusetts Uniform Securities Act, Mass. Gen. Laws c. 110A (the “Act”), and the regulations promulgated thereunder at 950 Code Mass. Regs. 10.01-14.413 (the “Regulations”).

On March 7, 2024, TCI submitted an Offer of Settlement (the “Offer”) to the Division. TCI neither admits nor denies the Statement of Facts set forth in Section V and the Violations of Law set forth in Section VI below. Notwithstanding the foregoing, TCI admits 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). TCI consents to the entry of this Order by the Division consistent with the language and terms of the Offer, settling the above-captioned investigation (E-2024-0069) with prejudice. This Order is necessary and appropriate in the public interest for the protection of investors and is consistent with the purposes fairly intended by the policies and provisions of the Act.

## **II. JURISDICTION**

1. The Division has jurisdiction over matters relating to securities pursuant to the Act.
2. This Order is entered in accordance with the Act and Section 10.10 of the Regulations.
3. The acts and practices that are the subject of the Division's investigation took place in Massachusetts.
4. TCI admits to the jurisdiction of the Division in this matter.

## **III. RELEVANT TIME PERIOD**

5. Except as otherwise expressly stated, the conduct described herein occurred during the period of approximately August 1, 2020 to June 30, 2022 ("Relevant Time Period").

## **IV. RESPONDENTS**

6. TradeStation Crypto, Inc. ("TCI") is a Florida corporation that was formed in June 2018 and from November 16, 2019 until February 22, 2024 was 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. At the time that TCI discontinued its services, TCI supported trading in Bitcoin

(BTC), Ether (ETH) and USD Coin (USDC). 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. 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.

## **V. STATEMENT OF FACTS**

### **A. The Offer and Sale of Securities in Massachusetts and Nationwide**

1. TCI began offering its digital asset trading accounts in or around November 16, 2019, to Massachusetts residents.
2. During the Relevant Time Period, TCI offered a feature that accrued and paid interest to customers on certain digital asset balances in their accounts (the “Interest Feature”) to at least 259 Massachusetts investors.
3. Through the Interest Feature, TCI paid interest to customers who held digital asset balances in their digital asset trading accounts.
4. 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.

5. On June 30, 2022, at the end of the Relevant Time Period, there were 272 active Massachusetts digital asset trading accounts with TCI, collectively valued at over \$2,831,565.93 USD.

6. Nationally, at the end of the Relevant Time 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.

**B. TCI's Interest Feature**

7. During the Relevant Time Period, TCI advertised that customers could “actively trade and earn interest on eligible crypto assets simultaneously.”

8. TCI described the Interest Feature as “passive income.”

9. 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.

10. TCI paid interest on several types of digital assets, including Bitcoin, Ether, Litecoin, Bitcoin Cash, and USDC Stablecoin.

11. TCI offered its digital asset trading accounts to the general public through the TradeStation website ([www.TradeStation.com](http://www.TradeStation.com)). The website supported TradeStation Securities, Inc., TradeStation Technologies, Inc. and TCI. TCI also offered a mobile version of its web application for trading digital assets.

12. TCI promoted the Interest Feature in internet ads that would appear in search engine results based on certain terms searched by customers.

13. 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.”

14. 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.

15. 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.

16. 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.”

17. TCI based interest rates on a number of factors, including, but not limited to, the rates TCI earned from borrowers, economic, and competitive factors.

18. 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.

19. 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.

20. TCI represented that it implemented various risk mitigation strategies towards its lending activities and that all loans made by it were fully secured.

21. TCI set the amount of crypto assets that it was willing to lend to individual borrowers depending on the borrower's credit profile.
22. TCI 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.
23. 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.
24. 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.
25. 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.
26. Customer deposits into TCI's digital asset trading accounts during the period when the Interest Feature was offered were passive investments.
27. TCI alone determined how customer assets were deployed; TCI customers had no control over how their assets were invested.
28. 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.

29. On or about June 30, 2022, TCI discontinued the Interest Feature and ceased all lending activities of customer assets.

**C. Failure to Comply with Registration Requirements**

30. During the Relevant Time 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.

31. During the Relevant Time Period, TCI offered and sold securities in Massachusetts that were unregistered or did not meet an exemption for registration as required by Mass. Gen. Laws c. 110A, § 301.

**VI. VIOLATIONS OF LAW**

**Count I – Mass. Gen. Laws c. 110A, § 301**

32. Mass. Gen. Laws c. 110A, § 301 provides:

It is unlawful for any person to offer or sell any security in the commonwealth unless:

- (1) the security is registered under this chapter;
- (2) the security or transaction is exempted under section 402; or
- (3) the security is a federal covered security.

33. The conduct of TCI, as described above, constitutes a violation of Mass. Gen. Laws c. 110A, § 301.

**VII. ORDER**

**IT IS HEREBY ORDERED:**

- A. TCI shall permanently cease and desist from conduct in violation of the Act and Regulations in the Commonwealth;
- B. TCI is censured by the Division;

- C. TCI shall, within five (5) days of the entry of this Order, pay an administrative fine in the amount of \$29,411.76 (USD). Payment shall be:
- i. Made by United States Postal Service postal money order, certified check, bank cashier's check, bank money order, or wire transfer;
  - ii. Made payable to the Commonwealth of Massachusetts;
  - iii. Mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108, or wired per the Division's instructions; and
  - iv. Submitted under cover letter or other documentation that identifies TCI as the entity making the payment and that bears the docket number of this matter (Docket No. E-2024-0069).
- D. TCI shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that TCI shall pay pursuant to this Order;
- E. TCI shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any insurance policy, with regard to any amount that TCI shall pay pursuant to the Division's Order;
- F. Upon entry of this Order, if TCI fails to comply with any of said terms, the Division may institute an action to have the settlement agreement and Order declared null and void. Upon issuance of an appropriate order and after a fair hearing, the Enforcement Section may re-institute an action against TCI.
- G. This Order shall be binding upon TCI, 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.

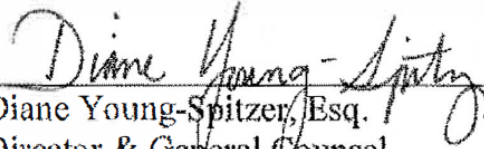
### **VIII. NO DISQUALIFICATION**

This Order waives any disqualification in the Massachusetts laws, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which TCI may be subject. This Order is not intended to be a final order based upon violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Division to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may

*[Remainder of page intentionally left blank.]*

not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of; or evidence of, any such alleged fault or omission of TCI in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

**WILLIAM FRANCIS GALVIN  
SECRETARY OF THE COMMONWEALTH**



Diane Young-Spitzer, Esq.  
Director & General Counsel

Securities Division

Office of the Secretary of the Commonwealth

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Dated: March 11, 2024