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STATE OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
DIVISION OF BANKING AND SECURITIES

In the matter of:)
West Realm Shires Services Inc. dba) ORDER NO: 22-110-C
FTX US) CEASE AND DESIST
AND
NMLS ID 1957771) SUSPENSION ORDER
Respondent.)

The Director of the Department of Commerce, Community, and Economic Development, Division of Banking and Securities (“Division”) has investigated certain activities of West Realm Shires Services Inc. dba FTX US (“Respondent”) and has determined that Respondent violated certain provisions of the Alaska Uniform Money Services Act, Alaska Statute (AS) 06.55 et seq (“AUMSA”).

I. FINDINGS OF FACT

The Division and issues this Cease and Desist and Suspension Order (Order) because they have reason to believe that:

1. On December 13th, 2021, Respondent, was initially licensed by the Division as a money transmitter under AS 06.55.103. Respondent has been so licensed since that date.
2. On November 10th, 2022, the Division was notified via the Nationwide Multistate Licensing System (“NMLS”) by Respondent’s surety bond provider that the Respondent’s bond will be cancelled effective December 11th, 2022. This cancellation was directed by the Respondent via NMLS Notification to the surety bond provider.

1 3. As of November 10th, 2022, Respondent suspended payments of its obligations to
2 its customers. Respondent limited its platform activity, preventing customers from transferring
3 or withdrawing their digital assets (virtual currency) stored on the platform.

4 4. On November 11th, 2022, Respondent filed a Chapter 11 bankruptcy petition in the
5 United States Bankruptcy Court for the District of Delaware, Case No. 22-11071, which is
6 pending.

7 5. The Chief Executive Officer of the Respondent, John J. Ray, III, in a Declaration
8 filed in the preceding case, stated the following, among other things:

9 (a) customers' virtual assets are not properly accounted for in consolidated assets and
10 liability statements,

11 (b) Respondent did not keep appropriate books, records, or security controls with
12 respect to digital assets, and

13 (c) there were unauthorized attempts to access digital assets.

14 6. On or about November 22nd, 2022, the State of North Carolina Commissioner of
15 Banks entered an Order of Summary Suspension and Cease and Desist against the Respondent,
16 Docket No.22:093:MT. Among other things, this order found that the Respondent suspended
17 payment of obligations, commingled customer assets, and the bond was noticed for
18 cancellation.

19
20 **II. CONCLUSIONS OF LAW**

21 1. Respondent is subject to the requirements for licensure under the AUMSA, as it had
22 been granted licensure by the Division on December 13th, 2021.

23 2. Respondent violated AS 06.55.104 by notifying their surety bond provider via
24 NMLS to cancel their surety bond, a requirement for continued licensure in Alaska.

1 3. Respondent's suspension of payments of its obligations to consumers prompted the
2 Division to make a determination under AS 06.55.601(a)(7).

3 4. Pursuant to AS 06.55.603 the Division may issue a cease and desist order, and a
4 suspension order under AS 06.55.601 if there is reason to believe that such a violation or
5 failure to comply with the statutes and regulations presents an imminent threat to the public.

6 **III. ORDER and NOTICE**

7 Pursuant to AS 06.55.603, and on the basis of the Findings of Fact and Conclusions of Law,
8 the Division ORDERS:

9 1. The effective date of this Order is November 25th, 2022.

10 2. Pursuant to AS 06.55.603, Respondent shall cease and desist from engaging in any
11 new money transmission activities within the State of Alaska.

12 3. As of the effective date of this Order, no new money transmission activities or new
13 transmission business shall be conducted under Respondent's money transmitter license with
14 Alaska consumers.

15 4. Pursuant to AS 06.55.601(a)(7), the money transmitter license of Respondent,
16 previously issued, is hereby SUSPENDED.

17 5. Until such time as Respondent's existing surety bond is reinstated or a new bond is
18 secured in accordance with AS 06.55.104, Respondent shall not onboard any new Alaska
19 consumers to its platform. Respondent shall not resume any money transmission activities
20 without the approval of the Division. This order does not prohibit Respondent from allowing
21 Alaska consumers to withdraw their assets.

22 6. Within ten (10) day of the effective date of the Order, Respondent shall furnish a list
23 of all its Alaska consumers with outstanding transmission obligations and the dollar amount of
24 those obligations to the Division via a secure electronic transmission method.

1 7. Pursuant to 11 U.S.C. § 362(b)(4), this action is exempt from the automatic stay
2 provisions of the United States Bankruptcy Code because the Division is a governmental unit
3 enforcing its regulatory power and is not presently seeking the imposition of any money
4 judgment, including civil penalties and consumer restitution.

5 8. This Order shall remain in full force and effect until such time as it is modified or
6 vacated by the Division.

7
8 **IT IS SO ORDERED.**

9
10 Julie Sande, Commissioner
11 Department of Commerce, Community and
12 Economic Development

13 DATED: 11/28/2022

14 /s/ Robert H. Schmidt
15 BY: Robert H. Schmidt, Director
16 Division of Banking and Securities

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