State Financial Regulators Settle with Abra to Return Cryptocurrency Assets

PRESS RELEASES

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Up to $82 million in virtual assets to be returned to customers

Washington, D.C. — Twenty-five state financial regulators have taken collective action against Plutus Financial, Inc., Abra Trading, LLC, Plutus Financial Holdings, Inc., Plutus Lending, LLC (collectively known as "Abra"), and CEO and largest equity owner William "Bill" Barhydt for operating a cryptocurrency company without receiving the required state licensing in a multistate settlement announced today by the Conference of State Bank Supervisors (CSBS).

A workgroup of state financial regulators from Arkansas, Connecticut, Georgia, Ohio, Oregon, Texas, Vermont, and Washington State investigated and found that Abra operated a mobile application for buying, selling, trading, and investing in cryptocurrency without obtaining the required licenses.

Led by Washington State, the workgroup negotiated settlement terms with Abra and Barhydt. Abra agreed to cease accepting virtual asset allocations from U.S. Abra Trade Account customers into their products and services and cease making, buying, selling, or trading cryptocurrencies available to U.S. Abra Trade customers as of June 15, 2023. The settlement terms require Abra to refund any remaining virtual assets on its platform for U.S. Abra Trade customers in the settling states.

"State financial regulators take their role to protect consumers and prevent unlicensed activity seriously," said CSBS Chair and Washington State Department of Financial Institutions Director Charlie Clark. "Companies that do not operate within the bounds of state laws will be held accountable."

The states participating in the settlement agreed to forgo a monetary penalty of $250,000 per jurisdiction to facilitate customer repayment. Once the remaining virtual assets are returned pursuant to the settlement terms, up to $82.1 million will be paid back to consumers. The investigation and settlement took place in conjunction with a separate investigation by state securities regulators.

Additionally, under the settlement, Barhydt agreed he will not participate in any capacity in the business or affairs of any money transmitter or money services business licensed or required to be licensed in the states in which he reached a settlement other than as a passive investor for five years.

State financial regulators license and supervise more than 33,000 nonbank financial services companies through the Nationwide Multistate Licensing System (NMLS), including mortgage companies, money services

businesses, consumer finance providers, and debt collectors. Many states also license cryptocurrency companies.

Consumers who have questions about the settlement or believe they may have been impacted by Abra's unlicensed activity should contact their state regulator. Consumers can also visit NMLS Consumer Access to verify that a company is licensed to do business in their state and view past enforcement actions.

Background:

What states participated in the settlement?

Currently, Alaska, Alabama, Arizona, Arkansas, Connecticut, District of Columbia, Georgia, Idaho, Iowa, Maine, Minnesota, Mississippi, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Texas, Vermont, Washington, and West Virginia are participating in the settlement. Additional states may join the multistate settlement as the case comes to a close. The June 26, 2024, CSBS announcement coincides with the issuance of the first state to publish its public settlement order, the state of Washington. The other participating states will issue their settlement orders publicly in the coming weeks and months.

How does state licensing work?

Most nonbank financial services companies subject to state law have a licensing requirement. A license is a grant of privilege by the commissioner (or the commissioner's agency) to conduct specific activity under the law. For example, a money transmitter license allows a company to sell or issue payment instruments or stored value. To receive a license, a company submits an application, with substantive background and financial information, for the commissioner or their designee to review and determine if the license should be approved or granted. The license will typically contain an expiration date by which the entity or person must reapply for or renew the license if they wish to continue in business.

How many states license cryptocurrency?

In most states, virtual currency transmission is covered under money transmission statutes. Thirty-seven states require a money transmitter license (or similar license) for virtual currency transmission. A handful of these states require licensure only if fiat currency is involved (but do not require licensure for crypto-to-crypto transactions). Additional states have legislation pending.

How did the states learn that Abra was not licensed?

Last summer, state money services business (MSB) regulators received a referral from state securities regulators, who had become aware of unlicensed money transmission activity when looking into unregistered securities activity. State financial regulators collaborated with the securities regulators and worked on a parallel path to settlement.

A multistate workgroup of representatives from Arkansas, Connecticut, Georgia, Ohio, Oregon, Texas, Washington, and Vermont investigated the allegations. The workgroup determined Abra and CEO William "Bill" Barhydt likely violated state money transmission laws and commenced negotiations with Abra and Barhydt to resolve the multistate investigation.

The CSBS Non-Depository Supervisory Committee, comprised of state regulators, informed states of the developments and promoted the coordinated efforts of the states. In a Notice of Significant Information sent to all states in June 2023, the NDSC requested that states not take individual enforcement actions against Abra prior to the state securities/MSB regulators coordinated actions.

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The Conference of State Bank Supervisors (CSBS) is the national organization of financial regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico, and U.S. Virgin Islands. State regulators supervise 79% of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance, and debt industries.