

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF: *

PLUTUS FINANCIAL INC. d/b/a * No. 2023-0099
ABRA *

and *

PLUTUS LENDING LLC, *

and *

ABRA BOOST, LLC, *

and *

WILLIAM JOHN “BILL” BARHYDT, *

Respondents. *

* * * * *

**SUMMARY ORDER TO CEASE AND DESIST
AND ORDER TO SHOW CAUSE**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-801 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2014 Repl. Vol. and Supp. 2022) (the “Act” or “Securities Act”), conducted an investigation of the Respondents, Plutus Financial Inc. d/b/a Abra, Plutus Lending, LLC, and Abra Boost, LLC (collectively, “Abra”) and William John “Bill” Barhydt (“Barhydt”); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”) has determined that Respondents may have engaged in acts or practices constituting violations of sections 11-301, 11-306, and 11-501 of the Act; and

WHEREAS, the Commissioner has reason to believe that Respondents may be engaged in continuing violations of the Securities Act; and

WHEREAS, the Commissioner has determined that immediate action against the Respondents is in the public interest;

NOW, THEREFORE, pursuant to section 11-701.1 of the Securities Act, it is hereby

ORDERED, that each Respondent and anyone under that person's direction, control, or employment immediately cease and desist from violations of sections 11-301, 11-306, and 11-501 of the Act pending a hearing in this matter or until such time as the Commissioner modifies or rescinds this Order; and it is further

ORDERED, that each Respondent show cause why that person should not be barred permanently from engaging in the securities and investment advisory business in Maryland, and why a monetary penalty should not be entered against that person in the amount of \$5,000 for each violation of the Act; and it is further

ORDERED, that Respondent show cause why a final order should not be entered against that person, ordering that Respondent to cease and desist from further violations of sections 11-301, 11-306, and 11-501 of the Act.

Willful violation of this Order could result in criminal penalties under section 11-705 of the Securities Act.

NOW, THEREFORE, THE COMMISSIONER ALLEGES THE FOLLOWING AS A BASIS FOR THIS ORDER:

I.
JURISDICTION

1. The Securities Commissioner has jurisdiction in this proceeding pursuant to section 11-801 of the Securities Act.

II. **RESPONDENTS**

2. Respondent Plutus Financial Inc. d/b/a Abra is a Delaware entity formed on July 1, 2014, with its principal place of business in Mountain View, California. Plutus Financial Inc. is a subsidiary of Plutus Financial Holdings, Inc. and is in the business of providing investors with a digital platform to buy, sell, borrow, trade, and deposit crypto assets, and it operates a mobile phone application (“app”) that enables investors to conduct financial transactions. Plutus Financial Inc. is not registered with the Division in any capacity.

3. Respondent Plutus Lending LLC (“Plutus Lending”) is a Delaware entity formed on May 29, 2020, with its principal place of business in Mountain View, California. Plutus Lending is a wholly owned subsidiary of Plutus Financial Inc. that lends out crypto assets to institutional borrowers on behalf of its parent company. Plutus Lending is not registered with the Division in any capacity.

4. Respondent Abra Boost is a Delaware entity. Abra Boost is a subsidiary of Plutus Financial Holdings, Inc.

5. Respondents Plutus Financial, Plutus Lending, Abra Boost and Barhydt have been collectively referring to Respondent Plutus Financial, Respondent Plutus Lending, Respondent Abra Boost and other parents, subsidiaries and affiliates as “Abra.” Thus, Respondents Plutus Financial Inc., Plutus Lending, and Abra Boost will collectively be referred to as “Abra.”

6. Beginning as early as 2014, Respondent Barhydt organized various entities that collectively operated as Abra. In 2022, Respondent Barhydt restructured Abra and, as part of the restructuring, reorganized existing companies and organized new entities as subsidiaries or affiliates of Plutus Financial Holdings, Inc.

III.

STATEMENT OF FACTS

A. Summary

7. Abra purports to be a “crypto bank” (though does not disclose to investors that it lacks a bank charter and its deposits lack insurance) but in fact has been engaging in a nationwide offering of securities, mostly unregistered, including to Marylanders. In connection with its securities offerings, Abra has failed egregiously to provide investors with basic material information relevant to these offerings.

8. Abra has offered securities in the form of investments in crypto asset depository accounts. Investors generally invested in these crypto asset depository accounts by transferring custody of supported crypto assets to the Respondents or their custodians in exchange for the payment of interest. Abra generated the profits used to pay interest largely by lending investors’ crypto assets to institutional borrowers. These profits generated by Abra came solely through the efforts of Respondents.

9. The terms “digital asset,” “crypto asset,” “virtual asset,” or “token” generally refer to an asset issued and/or transferred using blockchain or distributed ledger technology, including assets referred to colloquially as “cryptocurrencies,” “virtual currencies,” and digital “coins”. For uniformity and accuracy, the term “crypto asset” is used herein.

10. Respondents initially offered and sold investments in interest-bearing crypto asset depository accounts known as Abra Earn (“Earn Offerings”) to accredited and unaccredited investors (“Earn Investors”) residing throughout the United States, including Maryland. The Earn Offerings were not registered anywhere, including Maryland. After being notified by regulators that Abra Earn was an unregistered securities offering, Respondents purportedly ceased the Earn Offerings in October 2022, but did not return all assets to Earn Investors. Instead, interest has been accruing on assets that remain in Abra Earn.

11. In place of the Earn Offerings, beginning in October 2022, Respondents Plutus Financial, Abra Boost and Barhydt began offering and selling investments in interest-bearing crypto asset depository accounts known as Abra Boost (“Boost Offerings”) to accredited and institutional investors (“Boost Investors”) residing throughout the United States, including Maryland.

12. In connection with the Earn Offerings and the Boost Offerings, Respondents failed to make numerous material disclosures to investors, including, but not limited to:

- a. Information about the identities, responsibilities, and histories of Abra, its subsidiaries, and officers and directors,
- b. The types of investments, trades, hedging, and other profit-generating activities that Abra engaged in with Earn and Boost Investors crypto assets,
- c. The identities, creditworthiness, solvency, and risks associated with institutional investors that borrowed from Abra Earn and Boost,
- d. Abra’s lack of registration for the Earn Offerings,
- e. The lack of registration of Abra’s custodians of Earn and Boost assets, and
- f. Numerous government orders and investigations.

13. Moreover, in connection with its securities offerings, Respondents misrepresented the custodian in possession of certain Earn and Boost assets and failed to disclose that it instead transferred many of these assets to an entity currently subject to multiple government regulatory suits and a requested asset freeze.

14. Finally, Respondents failed to disclose and have in fact misrepresented Abra’s own solvency (or lack thereof).

15. As recently as August 2022, Abra Earn had over 20,000 investors nationally with investments over \$1.3 billion, including 370 Maryland investors with \$4.8 million invested. Investments have since declined, and combined Abra Earn and Boost investments as of May 2023 total over \$116 million from over 9,000 investors, with over \$700,000 from 162 Marylanders.

B. Description of Abra as a “Crypto Bank”

16. Respondents Plutus Financial, Plutus Lending, Abra Boost and Barhydt have been promoting Abra’s financial products and services through various social media platforms and an internet website publicly accessible at <http://www.abra.com>. Respondent Barhydt has been using his social media accounts to promote Abra’s financial products and services.

17. Respondent Barhydt has been promoting the aforementioned products and services by publicly referring to Abra as a “crypto bank” that provides a “crypto banking service.”

18. Respondent Barhydt has also been publicly representing that “Trade, Earn [and] Borrow is the equivalent of a bank for the crypto world” and that Abra Boost is a “product which allows you to basically have crypto-based savings.”

19. Notwithstanding the representations of Respondent Barhydt, Respondents Plutus Financial, Plutus Lending and Abra Boost have not obtained bank charters and are not authorized to operate as commercial or savings banks in Maryland. Accordingly, clients depositing crypto assets or fiat currency are not protected by deposit insurance through the Federal Deposit Insurance Corporation or otherwise protected by banking laws and regulations.

20. Accordingly, persons investing in the Earn and Boost Offerings are not protected by deposit insurance through the Federal Deposit Insurance Corporation, and they are not otherwise protected by banking laws and regulations.

21. Respondents have never disclosed to Abra Earn or Boost Investors that Abra does not have a bank charter.

22. Respondents have never disclosed to Abra Earn or Boost Investors that investors' assets are not protected by deposit insurance.

C. Background on the Abra Earn Offerings

23. Abra offered Earn investments to the general public through its website (<https://www.abra.com>).

24. On its website, Abra asserted that Earn investments could be thought of as “high-yield savings accounts for crypto”.

25. Abra advertised that investors could earn interest that compounded on a daily basis. The interest varied depending on the crypto asset, but was up to 13% APY (as of March 30, 2021) on crypto assets deposited into an Abra Earn account.

26. Abra accepted and paid interest on several types of crypto assets, including crypto assets such as Bitcoin, Ethereum, and Litecoin, and stablecoins such as USD Coin (USDC) and Tether (USDT).¹

27. Abra allowed investors to withdraw their crypto assets from their Earn accounts at any time, subject to a processing time of up to 7 days.

28. Unlike bank or brokerage accounts, which are generally FDIC- and SIPC-insured, respectively, the Earn Offerings were not insured against losses by investors.

29. Abra set Earn interest rates and credited Earn Investor accounts with earned interest on a weekly basis.

¹ A stablecoin is a type of crypto asset whose value is pegged to a particular fiat currency, such as the U.S. dollar. This theoretically makes the stablecoin less volatile compared to other crypto assets.

30. According to Abra, interest rates were based on market demand for the particular crypto assets.

D. Investment Process for the Abra Earn Offerings

31. Abra required that its Earn Investors complete a multi-step sign-up process in order to open an Earn account.

32. First, investors had to download the Abra app.

33. Investors then had to sign up for an Abra Trade Account (“Trade Account”).

34. As part of the sign-up process for a Trade Account, Abra required Earn Investors to accept, among other things, the “Abra Interest Account Terms” (“Terms”).

35. Abra also verified the investor’s identity as part of the Trade Account application process to comply with applicable “Know Your Customer” (KYC) and anti-money laundering laws and regulations.

36. Abra investors also completed an application with a related entity, Prime Trust, LLC. (“Prime Trust”) in order to open an Abra Earn account.

37. Prime Trust is a Nevada entity formed on April 13, 2016, with its principal place of business in Las Vegas, Nevada. Prime Trust is in the business of providing trust and custody services to businesses.

38. Prime Trust was the custodian of the assets in Abra’s interest-bearing crypto asset accounts.

39. Prime Trust conducted its own KYC process independently of Abra for each Earn Investor.

40. After investors were approved by Prime Trust, Abra Earn accounts were opened for them at Prime Trust, which provided crypto asset custodial services for Abra.

41. Investors approved for Abra Earn accounts were allowed to access Abra Wallet, which is a software that allows investors to store, use, and manage crypto assets.

42. Investors deposited supported crypto assets into their Abra Earn accounts by moving crypto assets held in their Abra Wallets to their Abra Earn accounts, which were held by Prime Trust.

E. Abra's Use of the Earn Offerings to Generate Profits for Investors

43. Abra paid Prime Trust a fee to access the crypto assets in its investors' Earn accounts.

44. After investors made deposits into their Abra Earn accounts, Prime Trust batched those deposits into a reserve account, where they were made available to Abra.

45. Abra used the funds in its reserve account for various income-generating activities.

46. Abra used the majority of the funds to make loans to institutional borrowers either through direct lending or DeFi lending.

47. Abra also used the funds in its reserve account for other types of investments, including arbitrage, exchange funds, and yield farming.

48. The profits made by Abra from these investments were generated solely by the efforts of Respondents.

49. Abra used the proceeds generated from these income-generating activities to pay interest to Abra Investors.

F. Abra's Insufficient Risk Disclosures for the Earn Offerings

50. When Earn Investors opened an account, they incurred certain risks.

51. While Abra provided some risk disclosure to Earn Investors, it also omitted many material categories of information.

52. Abra represented that either itself or Prime Trust could “experience cyber-attacks, extreme market conditions, or other operational or technical difficulties which could result in the immediate halt of deposits and withdrawals either temporarily or permanently.”

53. Abra also informed Earn Investors that legislative and regulatory changes could reduce the value of their crypto assets.

54. Additionally, Abra disclosed to its Earn Investors that the volatility and unpredictability of crypto assets could result in “significant loss.”

55. Finally, Abra represented that the company may not have enough money in its own trust accounts to cover its investors’ losses should something unexpected occur.

56. Abra reportedly implemented various risk mitigation strategies toward its lending activities, including the use of due diligence procedures to determine lending arrangements.

57. These due diligence procedures consisted of collecting and reviewing KYC and “Carriage and Instrument Paid to” (CIP) records for potential institutional borrowers.

58. Abra also had an internal investment committee that conducted credit reviews and assessments of institutional borrowers.

59. On some occasions, the internal investment committee required that borrowers post collateral that could be up to 500% of the value of the loan.

60. Additionally, Abra maintained 15-20% of investor assets in reserve accounts at Prime Trust to meet potential Earn Investor withdrawal demands.

61. Despite these disclosures, in offering Abra Earn to Maryland residents, Respondents failed to disclose basic, material aspects of its business that could have impacted Abra Earn returns, including failing to disclose:

- a. The identity of subsidiaries and affiliates of Abra,
- b. The identity and responsibilities of the officers and directors of Abra,
- c. The operational history of Abra.
- d. The business repute, qualifications and experience of the officers and directors of Abra.

62. Importantly, Respondents did not provide Earn Investors with the identity of the institutional borrowers or the terms of the loans with the institutional borrowers. Accordingly, Earn Investors were precluded from conducting due diligence and were unable to independently verify the risks associated with the lending transactions.

63. Instead, Respondent Plutus Financial and Prime Trust conducted KYB and due diligence for institutional borrowers, and they were responsible for determining the credit worthiness, financial solvency and risks associated with the institutional borrowers.

64. However, despite this KYB, Abra failed to disclose the creditworthiness, financial solvency, and risks of the institutions that borrowed Abra Earn account crypto assets.

65. In fact, Abra even failed to disclose the types of investments, trades, and hedging activities that it engaged in with Earn Investors' crypto assets.

66. Moreover, at no time did Abra disclose to Earn Investors its own financial state, including its own capitalization and solvency (or lack thereof).

G. No Registration for Abra or the Earn Offerings

67. Respondents are not currently registered to sell securities in the state of Maryland and have not previously been so registered, nor have they filed a claim of exemption from registration.

68. Respondents have not registered its Earn Offerings anywhere, including in Maryland, nor are the offerings exempted from securities registration.

69. Respondents failed to disclose the Earn Offerings lack of registration to its investors.

H. State Regulators Warned Abra About Securities Sales

70. On or about May 12, 2021, the Texas Enforcement Division warned Respondent Plutus Financial and Respondent Barhydt that Respondent Plutus Financial's products appeared to constitute investment contracts, notes, or evidences of indebtedness that are regulated as securities in Texas.

71. It also cautioned Respondent Plutus Financial and Barhydt that any offer or sale of any security in or from Texas must satisfy laws that generally require the registration of dealers or agents and, moreover, that promoters of securities must truthfully disclose all known material information.

72. The Texas Enforcement Division stressed the importance of compliance and explained it was authorized to pursue administrative, civil or criminal relief to protect the public from misconduct.

73. Despite receipt of the warning, Respondents Plutus Financial and Barhydt continued to offer and sell investments in Abra Earn until on or about October 3, 2022.

I. Changes to Abra Earn and the Introduction of Abra Boost

74. On or about October 3, 2022, Respondent Plutus Financial purportedly ceased accepting deposits from Earn Investors that were not verified as accredited investors.

75. Although Respondent Plutus Financial ceased accepting deposits from unaccredited Earn Investors, it did not return assets to Earn Investors.

76. Instead of returning assets to Earn Investors, Respondent Plutus Financial restricted new deposits in Abra Earn and transitioned Earn Investors that qualified as institutional or accredited investors to a new offering, Abra Boost.

77. Since on or about October 3, 2022, and continuing through the present, Respondent Plutus Financial, Abra Boost and Barhydt have continued offering and selling the Boost Offerings to institutional and accredited investors.

78. Earn Investors that did not qualify as either institutional or accredited investors and have not yet withdrawn their crypto assets from Abra Earn have been earning interest on their investments.

79. Respondent Plutus Financial is promoting the Boost Offerings through its website and investors must agree to its Terms of Service prior to investing in Abra Boost.

80. Boost Investors must also open and fund Abra Trade accounts and transfer assets from their Abra Trade accounts to their Abra Boost accounts in order to purchase investments in the Boost Offerings.

81. Prime Trust is the custodian of their Abra Trade and Abra Boost accounts.

82. Boost Investors expect to earn up to 10% interest, compounded daily, on their investments in the Boost Offerings.

83. Similar to the Earn Offerings, Respondents failed to disclose the following material information Abra Boost investors:

- a. The existence of Plutus Financial Holdings, Inc., and the identity and responsibilities of its officers and directors,
- b. The operational history of Plutus Financial Holdings, Inc., and the business repute, qualifications and experience of the officers and directors of Plutus Financial Holdings, Inc.,
- c. The identity and operational history of all parents, subsidiaries and affiliates of Plutus Financial Holdings, Inc., and the identity and responsibilities of their officers and directors,
- d. The operational history of the parents, subsidiaries and affiliates of Plutus Financial Holdings, Inc., and the business repute, qualifications and experience of the officers and directors of those parents, subsidiaries and affiliates,
- e. Abra's own financial state including its own capitalization and solvency (or lack thereof),
- f. The types of investments, trades, and hedging activities that Abra engaged in with Boost Investors' crypto assets.
- g. The procedures adopted by Abra to ascertain the creditworthiness and risks associated with institutional lenders,
- h. The identity of institutional borrowers and, as applicable, their history of successfully repaying principal and interest pursuant to the terms of loans effectuated by Abra,
- i. Information relating to the Earn Offerings, the risk of liabilities tied to prior sales of investments in the Earn Offerings and the financial consequences of liabilities to Boost Investors.

J. State Regulatory Issues Related to Prime Trust

84. Respondents Plutus Financial and Barhydt are claiming Respondent Plutus Financial is “fully committed to working with appropriate regulatory bodies in every jurisdiction we operate in to maintain all appropriate levels of compliance and oversight.”

85. Respondents Plutus Financial and Barhydt are also describing Prime Trust as a regulated company.

86. Although Respondents Plutus Financial, Abra Boost and Barhydt are offering and selling Abra Boost to investors residing throughout the United States, as of the date of this Order, Prime Trust is only licensed as a money transmitter or seller of payment instruments by 15 state agencies including Maryland.

87. Moreover, on January 20, 2022, the Texas Department of Banking issued Order No. 2022-002, styled In the Matter of Prime Trust, LLC, based on its findings that Prime Trust violated Chapter 151 of the Texas Finance Code by providing money transmission services while it was neither licensed by the agency nor excluded from licensing requirements.

88. Prime Trust announced it would cease all business in Texas effective January 31, 2023, and, as of the date of this Order, Prime Trust is not licensed by the Texas Department of Banking.

89. Although Respondents Plutus Financial and Barhydt know that Prime Trust is not licensed by the Texas Department of Banking, they are still directing Texans to open accounts that will be custodied by Prime Trust.

90. Respondents failed to disclose Prime Trust’s lack of regulatory compliance and the above referenced Texas order to Earn Investors and Boost Investors.

K. Financial Risks and Potential Insolvency

91. Respondent Plutus Financial is also downplaying risks associated with its Earn and Boost Offerings. For example, when describing the Earn Offerings, Respondent Plutus Financial told certain state securities regulators coordinating their investigations (the “Working Group”) that:

Earn users take no investment-like risks when they deposit digital assets into Interest accounts; rather, Earn users are simply moving or placing their existing assets into their Interest Accounts with the possibility of receiving interest, but notably, no risk of an investment-type loss.

92. On its website, Abra touts its expertise in managing risk and its prioritization of liquidity.

93. The website contains a statement attributable to Respondent Barhydt that explains there was “no exposure to FTX and Alameda” and that he

... can report that Abra’s retail, lending and private crypto wealth management businesses don’t have any exposure to Alameda and have no material exposure to FTX or the FTT token. Abra did use FTX for some trading activities. We moved most assets off of FTX and hedged our exposure on those that remain.

94. The above statement was false. In truth and in fact, as of February 2023, a subsidiary of Respondent Plutus Financial had more than \$12,000,000 at FTX.

95. Moreover, Respondent Plutus Financial and/or subsidiaries have held or currently hold various other impaired and illiquid assets, including approximately \$29,700,000 owed by Babel Finance, approximately \$8,800,000 owed by Auros Tech Limited, approximately \$30,000,000 owed by Genesis, and approximately \$10,000,000 owed by Three Arrows Capital.

96. Recently, the working group interviewed Respondent Barhydt and, contemporaneously therewith, provided information to Respondent Barhydt that demonstrated one or more subsidiaries of Plutus Financial Holdings, Inc., is now or will likely soon be insolvent. Respondent Barhydt did not contest the conclusion.

97. Since the interview, counsel for Respondent Plutus Financial has been meeting with bankruptcy counsel.

98. Notwithstanding the forgoing, Plutus Financial Holdings, Inc., or an affiliate or subsidiary thereof posted information in an official social media platform that represents:

There is no truth that Abra is bankrupt or about to be. It continues to operate normal like it always has throughout multiple bear markets since its launched [sic] back in 2014.

99. As these statements demonstrate, Respondents have failed to disclose and have in fact misrepresented its solvency.

L. The Winding Down of the Earn Offerings

100. Respondent Plutus Financial is now telling Earn Investors that Abra Earn will be “shut down” and that it will transfer assets from their Abra Earn accounts to their Abra Trade accounts on either August 15, 2023, or August 31, 2023.

101. As recently as May 12, 2023, Respondent Plutus Financial claimed that Abra Trade accounts were custodied by Fireblocks. Respondents Plutus Financial and Barhydt are describing Fireblocks as a regulated company.

102. Fireblocks, Inc., however, has not obtained money transmission, money services or equivalent licenses from state regulators. Fireblocks, LLC, a wholly owned subsidiary of Fireblocks, Inc., has successfully obtained money transmission, money services or equivalent licenses from only 12 state regulators. Fireblocks is not licensed in Maryland.

103. Respondents Plutus Financial and Barhydt know that Fireblocks, Inc., and Fireblocks, LLC, have not obtained money transmission, money services or the equivalent license for all states.

104. Despite representations that Abra Trade accounts are custodied at Fireblocks, as of February 2023, Abra Trade and Respondent Plutus Lending collectively had assets valued at only \$43,797,138 at Fireblocks.

105. Abra Trade and Respondent Plutus Lending have instead been secretly transferring assets to Binance Holdings Limited DBA Binance AKA Binance.com. As of February 2023, Abra Trade and Respondent Plutus Lending had assets valued at \$118,581,732 at Binance.com.

106. Financial regulators have recently filed civil actions against Binance.com. For example, on March 27, 2023, the Commodity Futures Trading Commission filed a civil lawsuit against Binance.com and Changpeng Zhao, its principal, and others in Case No. 1:23-cv-01887, in the United States District Court for the Northern District of Illinois. The pleading alleged numerous violations of the Commodity Exchange Act and CFTC regulations and prays for relief that includes, among other things, disgorgement, civil monetary penalties, permanent trading and registration bans.

107. More recently, on June 5, 2023, the United States Securities and Exchange Commission filed a civil action against Binance.com, Changpeng Zhao, and others in Case No. 1:23-cv-01599 in the United States District Court for the District of Columbia. The pleading alleged Binance.com acted as an unregistered exchange, broker and clearing agency; offered and sold unregistered crypto asset securities, failed to restrict investors from the United States from accessing Binance.com, mislead investors and engaged in other actionable conduct.

108. On June 6, 2023, in the same case, the United States Securities and Exchange Commission filed an emergency motion that, among other things, prayed for the issuance of a temporary restraining order freezing the assets of Binance.com regardless of the location of said assets.

109. Respondents failed to disclose to Abra Earn and Boost Investors the lack of regulatory compliance of Fireblocks.

110. Respondents failed to disclose to Abra Earn and Boost Investors the transfer of assets of Binance.com and the risks associated therewith.

M. Prior Actions Against Abra

111. On July 13, 2020, the United States Securities and Exchange Commission entered an order in 33 Act Release No. 10801, 34 Act Release 89296, Administrative Proceeding File No. 3-19873 (the “SEC Order”). The order charged Respondent Plutus Financial and Plutus Technologies Philippines Corp., its subsidiary, with offering and selling security-based swaps to retail investors without registration and for failing to transact those swaps on a registered national exchange.

112. Without admitting or denying the findings in the order, Respondent Plutus Financial and its subsidiary consented to the SEC Order and agreed to a combined penalty of \$150,000.

113. On July 13, 2020, the United States Commodity Futures Trading Commission entered an order in CFTC Docket No. 20-23 (the “CFTC Order”). The order charged Respondent Plutus Financial and Plutus Technologies Philippines Corp. with entering into illegal off-exchange swaps in crypto assets and foreign currency with U.S. and overseas customers and registration violations.

114. Without admitting or denying the findings in the order, Respondent Plutus Financial and its subsidiary consented pay a \$150,000 civil monetary penalty and to cease and desist from further violations of the Commodity Exchange Act.

115. On or about April 28, 2023, the California Department of Financial Protection and Innovation entered an order against Respondents Plutus Financial and Plutus Lending (the “CA Order”).

116. The CA Order required Respondent Plutus Financial to deposit the in-kind equivalent of all crypto assets of California Earn Investors in a digital wallet controlled by a third-party company approved by the Respondent Plutus Financial, Respondent Plutus Lending and the Commissioner of Financial Protection and Innovation, to be drawn down as California Earn Investors withdraw their crypto assets.

117. From the time Respondents Plutus Financial and Plutus Lending agreed to the entry of the CA Order through the date of this action, Respondents Plutus Financial and Plutus Lending did not have sufficient liquid assets to satisfy all investors in the United States.

118. According to the CA Order, Respondents Plutus Financial and Plutus Lending also agreed to pay a penalty of \$1,000,000, generally subject to waiver upon satisfaction of terms and conditions of the CA Order and the allowance of withdrawal per the provisions set forth therein.

119. On or about May 27, 2023, Respondents Plutus Financial and Plutus Lending request to renegotiate the CA Order. On or about June 2, 2023, the agency notified Respondents Plutus Financial and Plutus Lending they were in breach, and it reserved all legal rights for the breach. It also explained the agency may use its discretion and not take further legal action to enforce the CA Order if Respondents Plutus Financial and Plutus Lending returned assets per a plan ending in August 2023.

120. Respondents failed to disclose the SEC Order, CFTC Order, and CA Order to investors.

121. Respondents have not disclosed to investors the investigations conducted by state securities regulators acting as part of the working group, as well as investigations conducted by any federal regulatory agencies.

N. Need for Further Investigation

122. The Division is continuing to investigate the matter alleged herein to determine the full extent of the violations of the Securities Act that have occurred in this matter. The Securities Division may amend this Order in the future to reflect any additional factual allegations and/or violations as a result of the continuing investigation.

COUNT I
(Offer and Sale of Unregistered Securities, Section 11-501)

WHEREAS, section 11-501, of the Act makes it unlawful for any person to offer or sell a security in this State unless the security is registered, is exempt from registration under the Act, or is a federal covered security; and

WHEREAS, section 11-101(r) of the Act defines “security” to include any note, stock, Treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under the title or lease, any interest or instrument commonly known as a “security,” or certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase any of the preceding; and

WHEREAS, the Abra Earn Offerings described above are securities within the meaning of section 11-101 of the Act; and

WHEREAS, the Abra Earn Offerings described above were offered and sold by Respondents; and

WHEREAS, Respondents have offered and sold securities in violation of the registration requirements of section 11-501 of the Act;

NOW, THEREFORE, IT IS HEREBY **ORDERED** that each Respondent cease and desist from the offer and sale of unregistered, non-exempt, non-preempted securities in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Securities Act; and

IT IS FURTHER **ORDERED** that each Respondent show cause why a final order should not be issued against each Respondent that orders that Respondent to cease and desist from further violation of the section 11-501 registration requirements, assesses each Respondent the statutory penalty of \$5,000 for each violation of the section 11-501 registration requirements, permanently bars each Respondent from the securities and investment advisory business in Maryland, and orders any other sanction or combination of sanctions against each Respondent as permitted under section 11-701.1.

COUNT II
(Fraud in Connection with the Offer or Sale of Securities, Section 11-301)

WHEREAS, section 11-301 of the Act makes it unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly to:

- (2) Make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

WHEREAS, Respondents made untrue statements of material fact or omitted to state material facts, including, but not limited to:

- information about the identities, responsibilities, and histories of Abra, its subsidiaries, and officers and directors,
- the types of investments, trades, hedging, and other profit-generating activities that Abra engaged in with Earn and Boost Investors crypto assets,
- the identities, creditworthiness, solvency, and risks associated with institutional investors that borrowed from Abra Earn and Boost,
- Abra's lack of registration for the Earn Offerings,
- the lack of registration of Abra's custodians of Abra Earn and Boost assets,
- numerous government orders and investigations,
- the custodian in possession of certain Abra Earn and Boost assets,
- Abra's transfer of many Earn and Boost assets to an entity current subject to multiple government regulatory suits and a requested asset freeze,
- Abra's own solvency (or lack thereof).

NOW, THEREFORE, IT IS HEREBY **ORDERED** that each Respondent cease and desist from engaging in fraud in connection with the offer, sale, or purchase of any security, directly or indirectly, in or from Maryland, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Securities Act; and

IT IS FURTHER **ORDERED**, that each Respondent show cause why a final order should not be issued against each Respondent that orders that Respondent to cease and desist from engaging in the offer and sale of securities in violation of the anti-fraud provisions of section 11-301 of the Act, assesses the statutory penalty of \$5,000 for each violation, permanently bars each Respondent from engaging in the securities and investment advisory business in Maryland and

orders any other sanction or combination of sanctions against each Respondent as permitted under section 11-701.1.

COUNT III
(Dishonest or Unethical Practices; Section 11-306)

WHEREAS, section 11-306 of the Act makes it unlawful for any person who engages in the business of effecting transactions in securities for the account of others or for the person's own account or who acts as a broker-dealer or agent from engaging in dishonest or unethical practices in the securities or investment advisory business; and

WHEREAS, Respondents engaged in dishonest or unethical practices in the securities or investment advisory business by, among other things, misrepresenting or omitting material facts, including but not limited to:

- j. information about the identities, responsibilities, and histories of Abra, its subsidiaries, and officers and directors,
- k. the types of investments, trades, hedging, and other profit-generating activities that Abra engaged in with Earn and Boost Investors crypto assets,
- l. the identities, creditworthiness, solvency, and risks associated with institutional investors that borrowed from Abra Earn and Boost,
- m. Abra's lack of registration for the Earn Offerings,
- n. the lack of registration of Abra's custodians of Earn and Boost assets,
- o. numerous government orders and investigations,
- p. the custodian in possession of certain Abra Earn and Boost assets,
- q. Abra's transfer of many Earn and Boost assets to an entity current subject to multiple government regulatory suits and a requested asset freeze,
- r. Abra's own solvency (or lack thereof).

NOW, THEREFORE, IT IS HEREBY **ORDERED** that each Respondent cease and desist from engaging in dishonest or unethical practices in violation of section 11-306 of the Securities Act, pending a hearing in this matter or until such time as the Securities Commissioner modifies or rescinds this Order. Willful violation of this Order could result in criminal penalties under section 11-705 of the Securities Act; and

IT IS FURTHER **ORDERED** that each Respondent show cause why a final order should not be issued against each Respondent that orders that Respondent to cease and desist from engaging in activities in further violation of section 11-306 of the Securities Act, assesses each Respondent the statutory penalty of \$5,000 for each violation of section 11-306, and permanently bars each Respondent from the securities and investment advisory business in Maryland and orders any other sanction or combination of sanctions against each Respondent as permitted under section 11-701.1.

**REQUIREMENT OF ANSWER AND
NOTICE OF OPPORTUNITY FOR HEARING**

IT IS FURTHER **ORDERED**, pursuant to section 11-701.1 of the Securities Act and COMAR 02.02.06.06, that Respondents shall file with the Securities Commissioner a written Answer to this Order within fifteen days of service of the Order. The Answer shall admit or deny each factual allegation in the Order and shall set forth affirmative defenses, if any. A Respondent without knowledge or information sufficient to form a belief as to the truth of an allegation shall so state.

The Answer also shall indicate whether the Respondents requests a hearing. A hearing to determine whether the Order should be vacated, modified, or entered as final will be scheduled in this matter if one is requested in writing. Failure by Respondents to file a request for a hearing in

this matter within fifteen days of receipt of the Order shall be deemed a waiver by Respondents of the right to such a hearing.

Failure to file an Answer, including a request for a hearing, shall result in entry of a final order:

- (a) Directing Respondent to permanently cease and desist from violation of the Securities Act; and
- (b) Imposing a monetary penalty of up to \$5,000 for each violation of the Securities Act; and
- (c) Barring Respondent from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as principal or consultant in any entity so engaged.

DATE OF THIS ORDER:

July 27, 2023

SO ORDERED:

**Commissioner's Signature on File
with Original Documents**

Melanie Senter Lubin
Securities Commissioner