

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
Before the Director of the Department of Insurance and Financial Services

In the matter of:

West Realm Shires Services Inc. dba FTX US
License No. MT-0023864,

Enforcement Case No. 22-17097

FTX Lend Inc.
License No. RL-0024454,

Respondents.
_____ /

Issued and entered
on January 10 , 2023
by Judith A. Weaver
Senior Deputy Director

ORDER ACCEPTING STIPULATION

Based upon the Stipulation to Entry of Order and the records, files and statements contained therein, the Senior Deputy Director finds and concludes that:

1. The Senior Deputy Director has jurisdiction and authority to adopt and issue this Order Accepting Stipulation in this proceeding pursuant to the Michigan Administrative Procedures Act (APA), as amended, MCL 24.201 *et seq.*, the Money Transmission Services Act (MTSA), MCL 487.1001, *et seq.*, and the Regulatory Loan Act (RLA), MCL 493.1, *et seq.*
2. Between October 25, 2021, and December 31, 2022, West Realm Shires Services, Inc. dba FTX US (Respondent West Realm) held a Michigan money transmitter license pursuant to the MTSA (License No. MT-0023864). Respondent West Realm failed to meet the renewal requirements and, therefore, such license expired effective January 1, 2023.
3. Since September 2022, FTX Lend Inc. (Respondent FTX Lend) has held a license under the RLA (License No. RL-0024454).
4. Respondent West Realm and Respondent FTX Lend are related entities, i.e., both wholly owned subsidiaries of West Realm Shires Inc., and are collectively referred to herein as "Respondents."
5. DIFS received notice that the surety bond secured on behalf of Respondent West Realm pursuant to Section 13 of the MTSA, MCL 487.1013, has been cancelled. The Notice of Cancellation was filed on NMLS on-or-around November 10, 2022 and declares that such cancellation is effective January 10, 2023.
6. On November 11, 2022, Respondent West Realm filed Chapter 11 in the United States Bankruptcy Court for the District of Delaware, as "Case No. 22-11071(JTD)" and Respondent FTX Lend filed

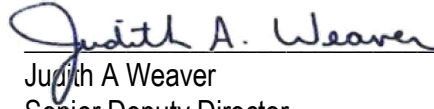
Chapter 11 in the United States Bankruptcy Court for the District of Delaware as “Case No. 22-11167(JTD)” on that same date.

7. Respondents failed to notify DIFS of this bankruptcy filing as required of Respondent West Realm by Section 23(3)(a) of the MTSA, MCL 487.1023(3)(a).
8. Filings in Bankruptcy Case No. 22-11071(JTD) and Bankruptcy Case No. 22-11167 (JTD), as well as information from Respondents’ counsel demonstrate that Respondents’ continuation of business operations under the above licenses presents an imminent threat of financial loss or imminent threat to the public welfare, and that one or more fact or conditions exist which would have warranted the denial of Respondents’ licenses at the times each were granted, and that one or more bases for suspension, revocation or denial of a renewal application set forth in Section 41 of the MTSA, MCL 487.1041 and/or in Section 9 of the RLA, MCL 493.9, exist.
9. Respondents have reportedly undergone several changes in leadership structure and/or control persons, including changes in officers, executives, and other management.
10. All required notices have been issued in this case, and the notices and service thereof were appropriate and lawful in all respects.
11. Acceptance of the Stipulation to Entry of Order is reasonable and in the public interest.
12. All applicable provisions of the APA have been met.

Now therefore, based upon the Stipulation to Entry of Order and the facts surrounding this case, **IT IS ORDERED THAT:**

1. The Stipulation to Entry of Order and all agreements contained therein are accepted in their entirety.
2. License No. MT-0023864, issued to Respondent West Realm Shires Services Inc. dba FTX US pursuant to the MTSA, has **EXPIRED** effective January 1, 2023. To be eligible for licensure again, Respondent West Realm will need to reapply and demonstrate compliance with all provisions of the MTSA including, without limitation, the requirements for licensure set forth in Sections 13 and 14 thereof, MCL 487.1013, MCL 487.1014.
3. License No. RL-0024454 issued to Respondent FTX Lend Inc. pursuant to the RLA is hereby **SUSPENDED IMMEDIATELY and INDEFINITELY**, unless and until Respondent demonstrates compliance with all provisions of the RLA including, without limitation, the requirements for licensure set forth in Section 2 thereof, MCL 493.2, have been satisfied.

4. The Senior Deputy Director retains jurisdiction over the matters contained herein and has the authority to issue such further orders as shall be deemed just, necessary, and appropriate in accordance with the Acts. Failure to abide by the terms and provisions of the Stipulation to Entry of Order and this Order constitutes an independent violation of the Acts and may result in the commencement of additional proceedings that could impose additional penalties.



Judith A Weaver
Senior Deputy Director

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DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
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STIPULATION TO ENTRY OF ORDER

Petitioner, Department of Insurance and Financial Services (DIFS), West Realm Shires Services Inc. dba FTX US (License No. MT-0023864) and FTX Lend Inc. (License No. RL-0024454), hereby stipulate to the following:

1. Between October 25, 2021, and December 31, 2022, West Realm Shires Services, Inc. dba FTX US (Respondent West Realm) held a Michigan money transmitter license pursuant to the MTSA (License No. MT-0023864). Effective January 1, 2023, Respondent West Realm failed to meet the renewal requirements and, therefore, such license has expired.
2. Since September 27, 2022, FTX Lend Inc. (Respondent FTX Lend) has held a regulatory loan license under the RLA (License No. RL-0024454).
3. Respondent West Realm and Respondent FTX Lend are related entities, i.e., both wholly owned subsidiaries of by West Realm Shires Inc. and are collectively referred to herein as "Respondents."
4. DIFS received notice that the surety bond secured on behalf of Respondent West Realm pursuant to Section 13 of the MTSA, MCL 487.1013, has been cancelled. The Notice of Cancellation was filed on NMLS on-or-around November 10, 2022, and states that such cancellation is effective January 10, 2023.
5. On November 11, 2022, Respondent West Realm filed Chapter 11 in the United States Bankruptcy Court for the District of Delaware, as "Case No. 22-11071(JTD)" and Respondent FTX Lend filed Chapter 11 in the United States Bankruptcy Court for the District of Delaware as "Case No. 22-11167(JTD)" on that same date.
6. Respondents failed to notify DIFS of this bankruptcy filing as required of Respondent West Realm by Section 23(3)(a) of the MTSA, MCL 487.1023(3)(a).
7. Filings in Bankruptcy Case No. 22-11167(JTD) and Bankruptcy Case No. 22-11071(JTD), as well as information from Respondents' counsel demonstrate that Respondents' continuation of business operations under the above licenses presents an imminent threat of financial loss or imminent threat

- to the public welfare, and that one or more fact or conditions exist which would have warranted the denial of Respondents' respective licenses at the times each were granted.
8. Specifically, the filings include a declaration by a newly appointed Chief Executive Officer of Respondents' parent company and related entities describes a "complete failure of corporate controls" and a "complete absence of trustworthy financial information" unprecedented in his forty-year career. His report further described "severe liquidity crisis" necessitating the bankruptcy filing.
 9. Respondent West Realm either knew or should have known that it was required to maintain a surety bond pursuant to Section 13 of the MTSA, MCL 487.1013. Moreover, Section 41 of the MTSA, MCL 487.1041, authorizes the suspension, revocation, and/or denial of an application for renewal of licensure when, among other things, a licensee violates the MTSA or any applicable state or federal law, engages in fraud, gross negligence, or unsafe or unsound practices, and/or demonstrates lack of experience, character or general fitness to the extent that it is not in the public interest to permit the license.
 10. Respondent FTX Lend either knew or should have known that Section 9 of the RLA, MCL 493.9, authorizes the suspension and/or revocation of a license when, among other things, any fact or condition exists that would have warranted refusal of an application for licensure or when the licensee either knowingly or without exercise of due care has violated any provision of the RLA. An application for licensure should be denied under Section 4 of the RLA, MCL 493.4, in the event that an investigation reveals the financial responsibility, experience, character and general fitness of the licensee do not warrant a believe that the business will be operated lawfully, honestly, fairly, and efficiently within the purpose of the RLA.
 11. Respondents' bankruptcy filing, representations made in such filings, and cancellation of the bond provide grounds for suspension, revocation, or other action against Respondents' licenses.
 12. The Parties have conferred and, in recognition of a mutual desire to avoid the time and expense of formal administrative proceedings, agree to this stipulation.
 13. License No. MT-0023864, issued to Respondent West Realm Shires Services Inc. dba FTX US pursuant to the MTSA, has **EXPIRED** effective January 1, 2023. To be eligible for licensure again, Respondent West Realm will need to reapply and demonstrate compliance with all provisions of the MTSA including, without limitation, the requirements for licensure set forth in Sections 13 and 14 thereof, MCL 487.1013, MCL 487.1014.
 14. License No. RL-0024454 issued to Respondent FTX Lend Inc. pursuant to the RLA is hereby **SUSPENDED IMMEDIATELY and INDEFINITELY**, unless and until Respondent FTX Lend demonstrates compliance with all provisions of the RLA including, without limitation, the requirements for licensure set forth in Section 2 thereof, MCL 493.2, have been satisfied.
 15. Respondents agree to cooperate to the extent practicable with DIFS in any future investigation, including without limitation, a request for records and information regarding any transaction(s) with a Michigan resident. Respondents agree that failure to fully comply may, at DIFS' discretion, result in denial of a future application for licensure filed by either Respondent or any person or entity which was ever employed by or otherwise affiliated therewith.

16. Respondents and/or their legal counsel have reviewed and voluntarily consented to the entry of the Order Accepting Stipulation that will be entered in this enforcement case and understands and agrees that the findings contained in the Order may be taken as true in this or any other DIFS proceeding.
17. DIFS reserves all of its rights, duties, and authorities to enforce any statute, rule, or regulation under its jurisdiction against either Respondent, its parent company(ies), or any related or affiliated person or entity, which is not directly addressed in this Stipulation to Entry of Order and the Order Accepting Stipulation.
18. Respondents acknowledge and agree that this Stipulation to Entry of Order is binding only on DIFS, and not any other local, state, or federal agency, department, or office, with respect to the matters addressed herein.
19. Respondents understand that this Stipulation to Entry of Order will be presented to the Senior Deputy Director for approval and that the Senior Deputy Director may or may not approve and adopt it. Respondents further agree that the Senior Deputy Director has jurisdiction and authority to approve and adopt this Stipulation.
20. Respondents understand that, by agreeing to this Stipulation to Entry of Order, they are waiving the right, pursuant to the MTSA, RLA, the rules promulgated thereto, and the Michigan Administrative Procedures Act of 1969 (APA), to a hearing before an administrative law judge, at which DIFS would be required to prove the charges set forth by presentation of evidence and legal authority and at which Respondents would be entitled to appear, to cross-examine all witnesses presented by DIFS, and to present such testimony or other evidence or legal authority deemed appropriate as a defense to said charges.
21. Respondents waive any objection to the Director deciding this case following a Michigan Office of Administrative Hearings and Rules hearing in the event that the Stipulation to Entry of Order is not approved.
22. Respondents agree that this Stipulation to Entry of Order and Order Accepting Stipulation will be published on the Department's website upon execution and, also, reported to all appropriate regulatory authorities.
23. The Parties agree that the Stipulation to Entry of Order represents the full and complete agreement of the Parties in this matter and, in the event that the Order Accepting Stipulation is signed and entered by the Senior Deputy Director, shall resolve the enforcement case captioned above in a manner consistent with the terms of the Order.
24. The Parties agree that all Parties, as well as their officers, owners, directors, employees, heirs, and assigns, intend to be and are legally bound by the terms of this Stipulation to Entry of Order and the Order Accepting Stipulation.

25. The Parties agree that this Stipulation to Entry of Order and Order Accepting Stipulation shall become effective on the date it is signed by the Senior Deputy Director. The Parties agree that this Stipulation to Entry of Order and Order Accepting Stipulation may be executed in separate counterparts, by facsimile or electronic mail in portable document format ("PDF").




John J. Ray III, Chief Executive Officer
and Chief Restructuring Officer on behalf of the
Respondents

1/9/2023

Date

DIFS Staff approve this Stipulation and recommend that the Senior Deputy Director accept it and issue an Order Accepting Stipulation.



Elizabeth R. Husa (P73907)
DIFS Staff Attorney

January 10, 2023

Date