

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

VOYAGER DIGITAL, LLC, a limited liability company, VOYAGER DIGITAL HOLDINGS, INC., a corporation, and VOYAGER DIGITAL LTD., a foreign corporation; and

STEPHEN EHRLICH, individually and as an officer of VOYAGER DIGITAL, LLC, VOYAGER DIGITAL HOLDINGS, INC., and VOYAGER DIGITAL LTD.,

Defendants, and

FRANCINE EHRLICH,

Relief Defendant.

1. Voyager is a cryptocurrency company that markets and sells crypto-based financial services to consumers.

2. From at least 2018 until the present, Defendants deceived consumers, many of whom were inexperienced with cryptocurrency, into transferring their fiat and cryptocurrency assets to the Voyager platform. Defendants portrayed Voyager as a safe alternative to the traditional financial system and assured consumers that their funds were insured by the Federal Deposit Insurance Corporation (“FDIC”). In reality, Voyager was not an FDIC-insured institution, the FDIC does not insure crypto-assets, and even consumers who held cash with Voyager would not be eligible for FDIC insurance in the event that Voyager failed.

3. On July 1, 2022, weeks after promising consumers that their “assets were safe and we’re processing everything as normal,” Defendants halted all withdrawals from and transfers on the platform, leaving millions of consumers without access to more than a billion dollars’ worth of cryptocurrency and cash.

4. On July 5, 2022, Voyager Digital, LLC, Voyager Digital Holdings, Inc., and Voyager Digital Ltd. declared bankruptcy. Without FDIC insurance, consumers had no recourse to recoup their frozen assets. Defendants prevented consumers from accessing cash deposits for over a month. Consumers’ crypto-assets were frozen indefinitely.

5. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345.

6. Venue is proper in this District under 28 U.S.C. § 1391(b)(2), (c)(2), (c)(3), (d) and 15 U.S.C. § 53(b).

7. The FTC is an independent agency of the United States Government created by the FTC Act, which authorizes the FTC to commence this district court civil action by its own attorneys. 15 U.S.C. §§ 41–58. The FTC enforces Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or affecting commerce. The FTC also enforces the GLB Act, which prohibits any person from using a false, fictitious, or fraudulent statement to obtain or attempt to obtain the customer information of a financial institution from a customer of a financial institution.

8. Defendant Voyager Digital, LLC is a Delaware limited liability company with its principal place of business at 33 Irving Pl Fl 3, New York, NY 10003. Voyager Digital transacts or has transacted business in this District and throughout the United States. At times relevant to this Complaint, acting alone or in concert with others, Voyager Digital has advertised, marketed, distributed, or sold cryptocurrency financial services to consumers throughout the United States.

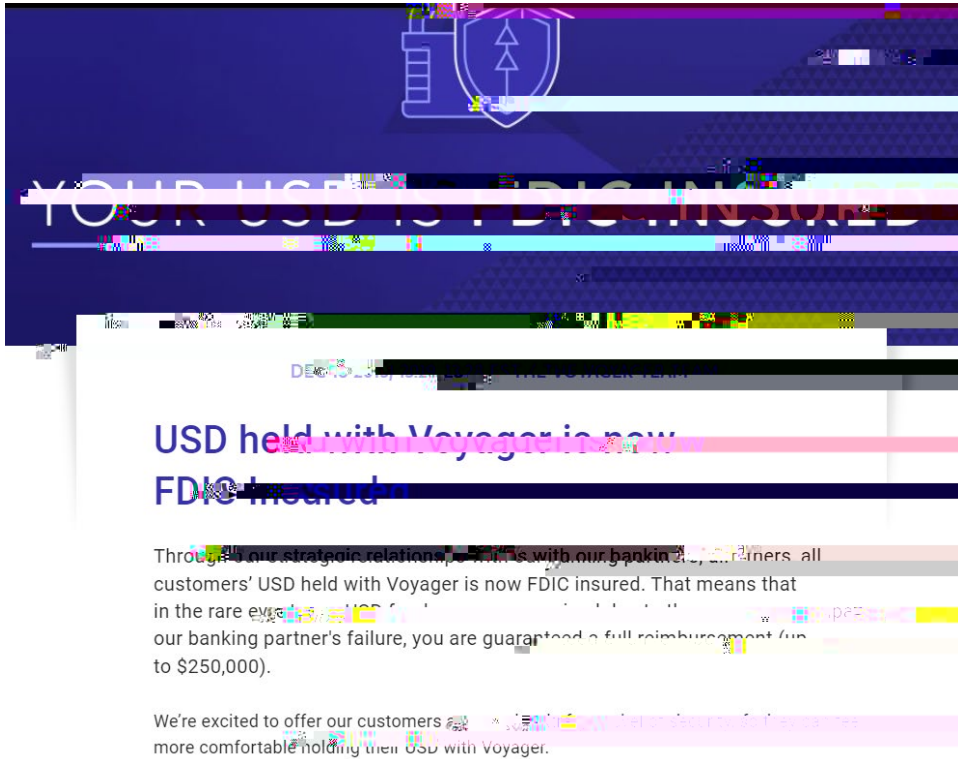
9. Defendant Voyager Digital Holdings, Inc. (“VDH”) is a Delaware corporation with its principal place of business at 33 Irving Pl Fl 3, New York, NY 10003. VDH transacts or has transacted business in this District and throughout the United States. At times relevant to this Complaint, acting alone or in concert with others, VDH has advertised, marketed,

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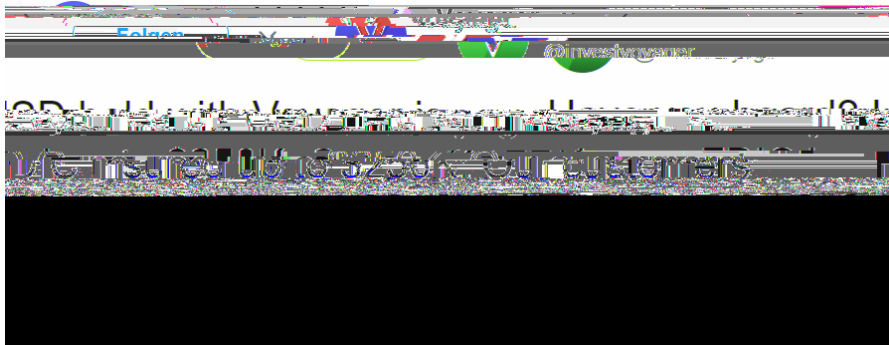
wallet to the platform to be able to purchase or transfer cryptocurrency.

22. Voyager featured USD Coin prominently on its platform. Voyager's services have included an Earn program that promises "rewards" (annual percentage yield or "APY") on deposits of cryptocurrency assets such as USD Coin; brokerage services that allow consumers to

insured.” This meant, according to Voyager, that in the “rare event” of “the company or [its] banking partner’s failure,” consumers would be “guaranteed a full reimbursement (up to \$250,000),” as depicted in the image below:



26. On November 12, 2020, Voyager tweeted that “USD held with Voyager is FDIC insured up to \$250K” and directed consumers to “[s]tart growing your crypto portfolio today”:



27. Over the years, Voyager repeatedly misrepresented on its website and on its mobile app that consumers' funds were FDIC insured. In a May 2022 blog post titled "Not all stablecoins are created equal," for example, Voyager encouraged consumers to add USD Coin to their portfolio to earn rewards, assuring consumers in bold and italic font that they could "[h]old and trade with confidence" since their USD balances were "FDIC insured up to of \$250,000."

28. Defendants reinforced these FDIC representations in direct emails to consumers.

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insures only deposits held by insured banks or savings associations. Voyager is not a chartered bank or savings association. FDIC insurance does not extend to crypto-assets, such as the USD Coin stored on Voyager's platform. Nor did FDIC insurance protect consumers' U.S. dollar deposits against Voyager's failure.

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transparent about our balance sheet” and was “well-capitalized and positioned to weather the bear market.” Ehrlich concluded the letter by reminding consumers that their Voyager deposits were “FDIC insured” and “protected up to \$250,000”:

This is also a good time to remind everyone that USD is held by our banking partner, Metropolitan Commercial Bank, which is FDIC insured. The cash you hold with Voyager is protected up to \$250,000—which means it’s as safe with us as at a bank.

33. Then, a mere two weeks after Defendant Ehrlich reassured consumers in June 2022 that Voyager was “well-capitalized and positioned to weather the bear market,” Defendants unilaterally froze consumers’ access to their deposits.

34. Consumers were locked out of accounts that had been earmarked for down payments for homes, college tuition for their children, and their life savings. Many noted that they put their savings into Voyager because they believed their deposits were FDIC insured.

35. On July 5, 2022, Voyager filed for bankruptcy. Cash deposits held on Voyager with MCB were frozen for over a month. All crypto-assets on the Voyager platform were frozen indefinitely.

36. In a letter to the bankruptcy court, one consumer said, “The money that my wife and I were hoping to use for our young daughter’s education in the future is now locked up.”

37. Another consumer recounted that his family had sold their condo and planned to buy a home when they found out their newborn baby was diagnosed with Respiratory Syncytial Virus and required a medical procedure. As he put it, “We thought the USDC was FDIC insured so we moved all the proceeds from the sale of our home to Voyager for [the] period we took off the home search to care for our sick child. It was always our plan to pull the money to purchase a home . . .”

38. In another letter to the bankruptcy court, a consumer lamented that he had put his life savings as well as a portion of his paycheck every month into Voyager for the last few years. As he put it, “I used Voyager to replace my savings account as it was advertised as FDIC insured, I am now filled with regret for doing so and fear that I pretty much lost everything for trusting this company.”

39. On July 28, 2022, the FDIC and Federal Reserve sent Defendants a letter telling them to cease and desist from making the following misrepresentations: (1) Voyager is insured by the FDIC; (2) consumers who invested with the Voyager cryptocurrency platform would receive FDIC insurance coverage for all deposits provided to, held by, on, or with Voyager,

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FTC trade regulation rules. Accordingly, Section 19 of the FTC Act, 15 U.S.C. § 57b, also authorizes this Court to grant such relief as the Court finds necessary to redress injury to consumers resulting from violations of the GLB Act. This relief may include, and is not limited to, rescission or reformation of contracts, and the refund of money or return of property.

54. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of products and services offered through Voyager, Defendants have made false, fictitious, or fraudulent statements or representations to customers of financial institutions to obtain or attempt to obtain customer information of a financial institution. The customer information of a financial institution that Defendants obtain or attempt to obtain includes consumers' identity information, bank account numbers, routing numbers, and cryptocurrency wallet addresses.

55. Defendants have obtained or attempted to obtain customer information of a financial institution by soliciting consumer deposits to the Voyager platform via representations to customers of financial institutions, directly or indirectly, expressly or by implication, that consumers' funds held with Defendants are FDIC insured.

56. Defendants' representations set forth in Paragraphs 54 and 55 above were false, fictitious, or fraudulent within the meaning of Section 521 of the GLB Act.

57. Therefore, Defendants' acts or practices set forth in Paragraphs 54 to 55 above

58. Relief Defendant Francine Ehrlich has received, directly or indirectly, funds and/or other assets from Defendants that are traceable to funds obtained from Defendants' customers through the deceptive, unfair, and-0 Td()Tjtius[fu.cts ()Tjtipractices described herein.

59. Relief Defendant Francine Ehrlich provided no services in exchange for the assets received, she is not a bona fide purchaser with legal and equitable title to Defendants' customers' funds and-0 Td()5 (r)3 (ot)-2 (he)-1 (r)lntssets, and she [ill be unjustly enriched if she is not required to disg()T funds or the value of the benefit she received as a result of Defendants' deceptive, unlawful, and/or unfair acts or practices.

B. Grant preliminary injunctive and ancillary relief as may be necessary to avert the likelihood of consumer injury during the pendency of this action and to preserve the possibility of effective final relief;

C. Award monetary and other relief with the Court's power to grant; and

D. Award any additional relief as the Court determines just and proper.

Respectfully submitted,

Dated: 2 F W R E H U

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