

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION

IN THE MATTER OF:)	
)	
Celsius Network, Inc.)	ORDER TO CEASE AND DESIST
Celsius Network Limited)	
Celsius US Holding, LLC)	I-2023-0000
Celsius Network, LLC, and)	
Celsius Lending, LLC)	
)	
Respondents)	
)	

NOTICE OF ORDER

This Order commences an adjudicative proceeding under the provisions of RSA 421-B:6-613.

LEGAL AUTHORITY AND JURISDICTION
NOTICE OF ORDER

This Order commences an adjudicative proceeding under the provisions of RSA 421-B:6-613.

LEGAL AUTHORITY AND JURISDICTION

Pursuant to RSA 421-B:6-604(a), whenever it appears to the secretary of state that any person has engaged or is about to engage in any act or practice constituting a violation of the chapter or any rule under this chapter, he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter.

Pursuant to RSA 421-B:5-508, any person who willfully violates a cease and desist order issued pursuant to RSA 421-B:6-603 or RSA 421-B:6-604, or who violates RSA 421-B:5-501(a)(2) knowing that the statement was false or misleading in any material respect, shall be guilty of a class B felony.

Pursuant to RSA 421-B:6-604(d), the Secretary of State has the authority to impose administrative penalties of up to \$2,500 for a single violation.

Pursuant to RSA 421-B:6-604(g), the Secretary of State may charge the actual cost of an investigation or proceeding for a violation of this chapter or an order issued under this chapter.

Pursuant to RSA 421-B:6-604(d), the secretary of state may permanently bar a person from any securities licensure and registration in N.H.

Pursuant to RSA 421-B:6-604(e), the secretary of state may order payment of restitution to N.H. investors,

NOTICE OF RIGHT TO REQUEST A HEARING

Pursuant to RSA 421-B:6-604, Respondents have a right to request a hearing. The request must be made within 30 days from receipt of this Order. If the Respondents fail to request a hearing on this Order within 30 calendar days of receipt, the order shall become final.

Pursuant to RSA 421-B:6-613, upon request for a hearing, said hearing shall be held no later than fifteen days after such request is received by the Bureau.

Any such request for a hearing shall be in writing, signed by the Respondents or by the duly authorized agent of the above named Respondents, and shall be delivered either by hand or certified mail, return receipt requested, to the Bureau of Securities Regulation, Department of State, 25 Capitol Street, Concord, New Hampshire 03301. Respondents have the right to be represented by counsel.

STATEMENT OF ALLEGATIONS

The allegations contained in the Staff Petition for Relief dated January 19, 2023 (a copy of which is attached hereto) are incorporated by reference hereto.

ORDER

WHEREAS, finding it necessary and appropriate and in the public interest, and for the protection of investors and consistent with the intent and purposes of the New Hampshire securities laws, and

WHEREAS, finding that the public interest would be irreparably harmed by delay in issuing an order of suspension, and

WHEREAS, finding that the allegations contained in the Staff Petition, if proved true and correct, form the legal basis of the relief requested,

THEREFORE, IT IS HEREBY ORDERED, THAT:

Respondents shall immediately cease and desist from further violation s of RSA 421-B.

Respondents are permanently barred from any securities licensure and registration.

Respondents shall jointly and severally pay a fine totaling \$1,000,000 for violations of the New Hampshire Securities Act RSA 421-B.

Respondents shall jointly and severally pay restitution to New Hampshire investors.

Respondents shall jointly and severally pay the Bureau's costs for investigation and enforcement.

**SIGNED,
DAVID M. SCANLAN
SECRETARY OF STATE
BY HIS DESIGNEE:**

Date: January 25, 2023



**Barry J. Glennon, Director
N.H. Bureau of Securities Regulation**

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION
25 CAPITOL STREET
CONCORD, NH 03301

STAFF PETITION FOR RELIEF

IN THE MATTER OF:

CELSIUS NETWORK, INC., CELSIUS
NETWORK LIMITED, CELSIUS US
HOLDING, LLC, CELSIUS NETWORK,
LLC, AND CELSIUS LENDING, LLC

I-20230000

STATEMENT OF FACTS

- I. The State of New Hampshire, Department of State, Bureau of Securities Regulation (hereinafter referred to as “the Bureau”), hereby petitions the Director, and makes the following statement of facts:
1. Celsius Network, Inc. is incorporated in Delaware and owns several subsidiaries including an approximately 82.81% interest in Celsius Network Limited.
 2. Celsius Network Limited is incorporated in England and Wales and wholly owns many subsidiaries, including Celsius US Holding, LLC.
 3. Celsius US Holding, LLC is the holding company for Celsius Network’s subsidiaries in the United States and two of its wholly owned subsidiaries are Celsius Network, LLC and Celsius Lending, LLC.
 4. Celsius Network, LLC is a Celsius Network company incorporated in Delaware and is the subsidiary providing Celsius Network’s user-facing services and activities for customers in the United States.
 5. Celsius Lending, LLC is a Celsius Network company incorporated in Delaware and is the subsidiary providing consumer fiat and stablecoin loans secured by cryptocurrency deposits to Celsius Network’s customers in the United States.

6. The Celsius Network is a network of affiliated financial services companies that generate revenue through cryptocurrency trading, lending, and borrowing, as well as engaging in propriety trading, mining, and other types of transactions. The above entities will be referred to collectively as the “Celsius Network.”
7. Respondents are, in part, illegally funding their lending operations, proprietary trading, and other revenue generating activities through the sale of unregistered securities in the form of cryptocurrency interest-earning accounts.
8. Respondents refer to the unregistered cryptocurrency interest-earning accounts as Celsius Network’s “Earn Rewards” program (“Celsius Earn Interest-Bearing Account”).
9. Respondents permit New Hampshire investors and other investors at least eighteen years old to apply to purchase the Celsius Earn Interest-Bearing Account through the Celsius Network’s website or smartphone application. Investors have been able to purchase these accounts from June 2018 through at least June 17, 2022. (the “Relevant Period”).
10. As of July 7, 2022, 956 New Hampshire residents were investors in Celsius Earn Interest-Bearing Accounts with total value of \$28,843,334.
11. Investors open accounts by transferring eligible cryptocurrency to the Celsius Network to invest in Celsius Earn Interest-Bearing Accounts. Investors relinquish control over their cryptocurrency and the Celsius Network takes full legal and beneficial ownership of the investors’ cryptocurrency.
12. The Celsius Network is free to use investors’ cryptocurrencies consistent with the terms of the Celsius Earn Interest-Bearing Accounts, including commingling cryptocurrencies with cryptocurrencies deposited by other investors, investing in traditional financial assets and cryptocurrency assets, lending those cryptocurrencies to institutional and corporate borrowers, and engaging in any other activities at the Celsius Network’s discretion.
13. In exchange for consideration received in the present, the Celsius Network is promising to pay lucrative interest rates in the future. The Celsius Network is promoted interest rates through its website, which advertised an annual return of up to 17.78 percent on certain cryptocurrencies for retail investors - well in excess of the rates currently being offered for short-term, investment grade, fixed income securities or for bank savings accounts.
14. The Celsius Network sets the interest rates it pays on various cryptocurrencies in advance and

on a periodic basis. The Celsius Network sets its interest rates based on various considerations and prioritizing the Celsius Network's need for particular types of cryptocurrencies.

15. The Celsius Network incentivizes smaller investors to invest in the Celsius Earn Interest-Bearing Accounts by paying higher rates of interest on smaller investments of principal for certain cryptocurrencies. As an example, the Celsius Network has paid higher rates of interest on investments up to 1 Bitcoin and up to 100 Ethereum and lower rates of interest on investments of more than 1 Bitcoin and more than 100 Ethereum.
16. The accrual of interest begins "as soon as any funds are credited to [an investor's] Celsius account." Investors transfer cryptocurrencies to the Celsius Network and the transaction is timestamped with the hour, minute, and second. Interest is payable on or around the first business day of each week.
17. In the United States, interest payments are denominated in the same type of cryptocurrency originally invested. In other jurisdictions, subject to certain conditions, the Celsius Network may make interest payments denominated in its native digital token, CEL.
18. Retail investors may withdraw their cryptocurrencies at any time, subject to certain processing times.
19. As of September 3, 2021, the Celsius Network claimed it had more than \$24,000,000,000 in assets under management, more than 1,000,000 community members, and more than \$8,200,000,000 in loans processed.
20. As of August 18, 2021, the Celsius Network had 348,158 active users worldwide invested in Celsius Earn Interest-Bearing Accounts with global assets under management exceeding \$12,500,000,000. As of the same date, the Celsius Network had 139,054 active users in the United States invested in Celsius Earn Interest-Bearing Accounts with United States-based assets under management exceeding \$7,000,000,000.
21. On July 13, 2022, the Celsius Network commenced voluntary Chapter 11 bankruptcy proceedings in the U.S. Bankruptcy Court for the Southern District of New York.

Celsius' API Partner Program

22. The Celsius Network offers an Application Programming Interface ("API") that allows certain institutional users, known as Celsius "API Partners," ("Celsius API Partners") to

integrate with the Celsius Network's platform. Celsius API Partners can then offer and sell the unregistered Celsius Earn Interest-Bearing Accounts to their clients.

23. The Celsius Network provides two different types of accounts whereby Celsius API Partners' clients can access Celsius Earn Interest-Bearing Accounts called segmented accounts ("Segmented API Accounts") and omnibus accounts ("Omnibus API Accounts").
24. Investors who invest in Celsius Earn Interest-Bearing Accounts through a Celsius API Partner's Segmented API Account or Omnibus API Account are subject to the same rights, benefits, terms, and conditions as investors who invest in Celsius Earn Interest-Bearing Accounts directly from the Celsius Network.
25. Segmented API Accounts allow Celsius API Partners to offer Celsius Earn Interest-Bearing Accounts through their own platforms. For Segmented API Accounts:
 - a. Investors create their own Celsius Network accounts through the Celsius API Partner's platform;
 - b. The Celsius Network performs the onboarding and customer due diligence for investors from Celsius API Partners;
 - c. Investors must accept the Celsius Network's terms and conditions; and
 - d. The Celsius API Partners receive a fee based on the percentage of interest payable by the Celsius Network to the investor.
26. Omnibus API Accounts allow Celsius API Partners to offer and sell Celsius Earn Interest-Bearing Accounts to their investors on an aggregated basis. For Omnibus API Accounts:
 - a. The Celsius API Partner maintains one account with the Celsius Network where it transfers the aggregated funds of its investors;
 - b. The Celsius Network performs no customer due diligence on the Celsius API Partner's investors, has no relationship with the investors, and does not know their identities;
 - c. The Celsius Network's only contractual relationship is with the Celsius API Partner; and
 - d. The Celsius Network pays a fee to the Celsius API Partner which is in addition to the interest paid on investments in the Celsius Earn Interest-Bearing Accounts.

Failure to Comply with Registration Requirements

27. During the Relevant Period, the Celsius Network's offer and sale of Celsius Earn Interest-Bearing Accounts were not done subject to an exception or exemption from securities registration.
28. During the Relevant Period, the Celsius Network offered and sold securities in New Hampshire that were not registered or permitted for sale in New Hampshire as required by N.H. RSA 421-B:3-301.
29. During the Relevant Period, the Celsius Network offered and sold securities in New Hampshire without being registered as a broker-dealer or agent as required by N.H. RSA 421-B:4-401 and N.H. RSA 421-B:4-402.

Failure to Disclose Risks

30. The Celsius Network has not and are not disclosing material information necessary for investors to make an informed decision, including critical material information about the risks associated with purchasing its unregistered securities as required by N.H. RSA 421-B:501(a)(2).
31. This material information includes, without limitation, the amount of money or cryptocurrency devoted to permissive uses, the identity, nature, and creditworthiness of borrowers, the type and nature of transactions involving digital assets, equities, options, and futures, the risks associated with individual digital assets, equities, options, and futures, the profits and/or losses derived from transactions, and financial information reflecting the assets and liabilities and cashflow.

STATEMENTS OF LAW

- II. The Bureau hereby petitions the Director and makes the following statements of law under the New Hampshire Revised Statutes Annotated, N.H. RSA 421-B, and regulations thereunder:
 1. The Celsius Earn Interest-Bearing Accounts are securities as defined in N.H. RSA 421-B:1-102(53)(A) because multiple investors constituted a "common enterprise," who had an

- expectation of profits as represented and to be performed by the work of the Celsius Network.
2. During the Relevant Period, the Celsius Network's offer and sale of securities in New Hampshire that were not registered or permitted for sale in New Hampshire violated N.H. RSA 421-B:3-301.
 3. During the Relevant Period, the Celsius Network's offer and sale of securities in New Hampshire without being registered as a broker-dealer or agent violated N.H. RSA 421-B:4-401 and N.H. RSA 421-B:4-402.
 4. During the Relevant Period, the Celsius Network's offer failed to disclose the material facts concerning the use of investor funds in the Celsius Interest-Bearing Accounts which violated N.H. RSA 421 B:5-501(a)(2).
 5. All of the Celsius Network entities materially aided each other in these violations pursuant to RSA 421-B:6-604.
 6. The foregoing violations of N.H. RSA 421-B:3-301, N.H. RSA 421-B:4-401, N.H. RSA 421-B:4-402, and N.H. RSA 421-B:5-501(a)(2) constitute the basis for the assessment of civil penalties against Celsius pursuant to N.H. RSA 421-B:6-604(d).

RELIEF REQUESTED

III. In view of the foregoing, The Bureau staff makes the following requests for relief, as permitted under RSA 421-B, the New Hampshire Uniform Securities Act:

1. Find as fact the allegations contained in Section I, above;
2. Make conclusions of law relative to the statements contained in Section II, the Statements of Law.
3. Pursuant to N.H. RSA 421-B:6-604(a), order the Celsius Network to immediately cease and desist from further violations of N.H. RSA 421-B and cease and desist from omitting material information in connection with offering securities in New Hampshire, and offering unregistered securities in New Hampshire.
4. Pursuant to N.H. RSA 421-B:6-604(d), bar the Celsius Network permanently from any

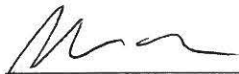
securities licensure in New Hampshire.

5. Pursuant to N.H. RSA 421-B:6-604(d), fine the Celsius Network \$1 million for the nine-violations of N.H. RSA 421-B: 5-501 discussed above.
6. Pursuant to N.H. RSA 421-B:6-604(e), order the Celsius Network to pay restitution to the New Hampshire investors.
7. Pursuant to N.H. RSA 6-604(g), order Celsius to pay the Bureau's costs of investigation and enforcement.

RIGHT TO AMEND

The Bureau staff reserves the right to amend this Staff Petition for Relief and request the Director of the Bureau take additional administrative action. Nothing herein shall preclude the Staff from bringing additional enforcement action under this N.H. RSA 421-B or the regulations thereunder.

Respectfully submitted by:



Michael Kirwin, Staff Attorney



Date