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COMMISSIONERS OFFICE

COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF NON-DEPOSITORY INSTITUTIONS
ADMINISTRATIVE ACTION NO. 2022-AH-0024

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

WEST REALM SHIRES SERVICES INC. d/b/a FTX US

RESPONDENT

ORDER REVOKING MONEY-TRANSMITTER LICENSE

The Kentucky Department of Financial Institutions (the "Department"), pursuant to Kentucky Revised Statutes ("KRS") 286.1-011 and 286.11-039(1), hereby enters this order against West Realm Shires Services Inc. In support thereof, the Department states as follows:

PARTIES

1. The Commissioner is responsible for administering the provisions of KRS Chapter 281 subtitle 11, the Kentucky Money Transmitters Act of 2006, as well as any applicable rules, regulations and orders entered pursuant to that subtitle.

2. Respondent West Realm Shires Services Inc. is a Delaware corporation with a principal place of business of 167 North Green Street, Suite 1102, Chicago, Illinois 60607, and a registered agent for service of process of GKL Registered Agents of DE, Inc., 3500 South Dupont Highway, Dover, Delaware 19901. Through the website <http://www.ftx.us>, Respondent operates a cryptocurrency exchange under the name FTX US, offering virtual-currency-related financial services including trading, borrowing, depository, and lending services. Respondent possesses a money-transmitter license issued by the Department under the provisions of KRS Chapter 281 subtitle 11, license number SC737812.

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PUBLIC PROTECTION CABINET
DEPARTMENT OF PUBLIC SAFETY
DIVISION OF NON-DEPARTMENTAL INSTITUTIONS
ADMINISTRATIVE ACTION NO. 2023-04-002

ORDER NO. 2023-04-002
REASONING

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REASONING

FACTS

The Commission is reviewing a request for the Department of Public Safety to...
The Department of Public Safety has requested that the Commission...
The Commission has reviewed the request and the information provided...
The Commission finds that the request is in the public interest and...
The Commission hereby orders that the Department of Public Safety...
The Commission's decision is based on the following facts and...
The Commission has considered the arguments of all parties and...
The Commission concludes that the request should be granted...
The Commission's decision is final and not subject to appeal...
The Commission's decision is effective immediately.

2023-04-002

STATEMENT OF FACTS

3. On November 11, 2022, Respondent, along with 101 other related entities, petitioned for Chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Delaware.

4. That same day, Respondent, operating as FTX US, halted all customer withdrawals.

5. That same day, by omnibus corporate authority filed contemporaneously with Respondent's Chapter 11 petition, Samuel Bankman-Fried, the former controlling owner and director of West Realm Shires Inc. (100% owner of Respondent) appointed John J. Ray III as Chief Executive Officer of Respondent and the related debtors.

6. On November 17, 2022, Respondent filed in the bankruptcy an affidavit of Ray in support of Respondent and the other debtors' Chapter 11 Petitions and First Day Pleadings. In that affidavit, Ray, citing his "40 years of legal and restructuring experience" as "the Chief Restructuring Officer or Chief Executive Officer in several of the largest corporate failures in history," stated as to Respondent and the other debtors that he had "[n]ever in [his] career . . . seen such a complete failure of corporate controls and such a complete absence of trustworthy financial information as occurred here."

STATUTORY AUTHORITY

1. KRS 286.11-039 provides, in pertinent part:

(1) The commissioner may issue a written order to suspend or revoke a license issued under this subtitle if the commissioner finds that: . . .

(i) The licensee has suspended payment of its obligations or has made an assignment for the benefit of its creditors;

(j) The licensee has applied for an adjudication of bankruptcy, reorganization, arrangement, or other relief under the United States Bankruptcy Code, 11 U.S.C. secs. 101-110[.]

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Respondent has suspended payment of its obligations, to wit, by halting customer withdrawals from the FTX.US exchange.
2. Respondent has applied for an adjudication of bankruptcy and reorganization under Chapter 11 of the United States Bankruptcy Code.
3. Based on the foregoing, the Commissioner has good cause under KRS 286.11-039(1) to revoke Respondent's money-transmitter license.

ORDER

Based on the foregoing, IT IS HEREBY ORDERED that:

1. Respondent's money-transmitter license, number SC737812, is hereby **REVOKED**.
2. The return of customer custodial funds by transmittal shall not be deemed to violate this Order or KRS Chapter 281 subtitle 11.

SO ORDERED on this the 2nd day of December, 2022.



JUSTIN BURSE
ACTING COMMISSIONER

NOTICE TO RESPONDENTS

You are hereby notified that you are entitled under KRS 286.11-039(2) to request an administrative hearing under the provisions of KRS Chapter 13B to contest this revocation order. A written application for an appeal shall be made with the Commissioner within twenty days of the date of this order and shall be made in good faith and shall briefly state the reason or reasons you are aggrieved, together with the grounds to be relied upon. Please submit any request for hearing, in writing, to:

Michael Barnett
Staff Attorney
Kentucky Department of Financial Institutions
500 Mero Street
2 SW 19
Frankfort, Kentucky 40601

After a hearing, you have the right to judicial review of a final order in Franklin Circuit Court, Frankfort, Kentucky pursuant to KRS 286.11-053(6).

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing Order was sent on this the 2 day of December, 2022 by the method indicated below to the following:

Via certified mail, return receipt requested:

ATTN: West Realm Shires Services Inc.
GKL Registered Agents of DE, Inc.
3500 South Dupont Highway
Dover, Delaware 19901
Respondent

Via electronic delivery:

Michael Barnett
Staff Attorney III
DEPARTMENT OF FINANCIAL INSTITUTIONS
500 Mero Street, 2 SW 19
Frankfort, Kentucky 40601
Counsel for Department of Financial Institutions

Kentucky Department of Financial Institutions

Name: Allison Reed by Victoria Ward

Title: Executive Staff Advisor