MARY ANN SMITH
Deputy Commissioner
SEAN ROONEY
Assistant Chief Counsel
QUINCY P VIEN (State Bar No. 334617)
Senior Counsel
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
Telephone: (213) 819-0358
Quincy.Vien@dfpi.ca.gov

Attorneys for Complainant

BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

OF THE STATE OF CALIFORNIA

In the Matter of: THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION, Complainant, v. Nexo Capital Inc. Respondent.	CONSENT ORDER

This Consent Order is entered into between the Commissioner of Financial Protection and Innovation (Commissioner and Department) and Nexo Capital Inc. (collectively, the Parties).

I.

RECITALS

This Consent Order is made with respect to the following facts:

///

///

///

A. Jurisdiction

1. The Commissioner has jurisdiction over the licensing and regulation of persons and entities engaged in the business of finance lending or brokering under the California Financing Law (CFL) (Cal. Fin. Code § 22000 et seq.).

2. The Commissioner also has jurisdiction over the regulation of persons who engage, have engaged, or propose to engage in offering or providing a consumer financial product or service in California and affiliated service providers under the California Consumer Financial Protection Law (CCFPL) (Cal. Fin. Code § 90000 et seq.).

B. Background

3. "Nexo" is the global brand under which certain business entities organized primarily outside of the United States operate to offer crypto asset products and services (Nexo).

4. Nexo Capital Inc. (Nexo Capital) is a Cayman Islands corporation formed in 2018. Nexo Capital does not have—and has never had—a CFL license with the Commissioner.

5. On or before July 26, 2018, Nexo Capital began to offer consumer and commercial loans to California residents under its crypto-backed lending program, "Crypto Credit Lines". These loans include crypto and fiat money loans with crypto collateral. Nexo Capital offered these loans to California residents by way of Nexo's public website and mobile application, both of which are owned by Nexo Capital.

6. Under the Crypto Credit Lines, borrowers provide crypto assets, including non-fungible tokens, as collateral, receive crypto assets or fiat money as loans, and make payments (for the principal and accrued interest) in accordance with their loan agreements. The loan agreements also provide that while borrowers' loans are outstanding, any holding company, subsidiary, or entity belonging to or under the Nexo brand, including Nexo Capital, (i) acquired the ownership title and all attendant rights of ownership of borrowers' collateral, and (ii) could dispose of borrowers' collateral in any manner at its sole and absolute discretion and in Nexo's name only, without further consent required from borrowers.

///

///

7. The Commissioner's investigation and examination revealed that from July 26, 2018, through November 22, 2022, Nexo Capital contracted for loans with 5,456 California residents, in violation of the CFL and CCFPL, as detailed below.

C. Findings

The Commissioner, based on his investigation and examination, made the following findings, which Nexo Capital neither admits nor denies:

California Financing Law

Unlicensed Finance Lending Activities

8. California Financial Code section 22100 provides, "No person shall engage in the business of a finance lender or broker without obtaining a license from the commissioner."

9. From July 26, 2018, through November 22, 2022, Nexo Capital engaged in the business of a finance lender by contracting for and originating loans with 5,456 California residents, without first obtaining a CFL license from the Commissioner, in violation of Financial Code section 22100.

Underwriting

10. Nexo Capital did not have specific underwriting policies in place for their consumer and commercial loans to California residents. For example, before originating a loan, Nexo Capital generally did not ask for, and generally did not evaluate, the borrower's credit history, debt, expenses, or documents relating to the borrower's overall financial condition and ability to make timely payments on their loan. Nexo Capital also did not generally evaluate the borrower's debt-to-income ratio.

11. Instead, Nexo Capital required borrowers to overcollateralize their loans, a practice seen in other crypto-backed lending programs.

12. Nexo Capital pitched the absence of certain underwriting procedures as a selling point for its loans. Nexo Capital stated on its website, "With Nexo, there are no credit checks, and nothing is reported to credit agencies. Your credit score will not be affected in any way. This is one of the major benefits of using Nexo."

///

Failure to Consider the Borrowers' Ability to Repay Loans

(Tit. 10, Cal. Code Regs. section 1452)

13. Section 1452 of Title 10 of the California Code of Regulations provides, "When making or negotiating loans, a finance company shall take into consideration, in determining the size and duration thereof, the financial ability of the borrowers to repay the same, to the end that the borrowers should be reasonably to repay said loans in the time and manner provided in the loan contracts."

14. Nexo Capital's practice of overcollateralizing loans to California borrowers was not a substitute for evaluating a borrower's ability to repay a loan in the time and manner provided in the loan agreement. The extent to which a borrower collateralized their loan concerned Nexo Capital's ability to remain secure as a lender in the event of a default by a borrower (the inability of the borrower to repay). If a borrower defaulted on their loan, Nexo Capital could draw upon the collateral to cover overdue payments. To further protect Nexo Capital's ability to remain secure, if the market value of the crypto collateral drops—including through no fault of the borrower (for example, market forces) —to the point where the loan-to-value ratio for the borrower's loan reached or exceeded 83.33%, Nexo Capital could under its terms automatically liquidate the collateral through a margin call process.

15. From July 26, 2018, through November 22, 2022, Nexo Capital contracted for loans with 5,456 California residents without considering their respective ability to repay their loans, in violation of Section 1452 of Title 10 of the California Code of Regulations.

California Consumer Financial Protection Law

16. Under the CCFPL:

a. A "[c]overed person" is, in relevant part, "[a]ny person that engages in offering or providing a consumer financial product or service to a resident of this state." Cal. Fin. Code § 90005(f)(1).

b. A "[c]onsumer financial product or service" is a "financial product or service that is delivered, offered, or provided for use by consumers primarily for personal, family, or household purposes." *Id.* § 90005(e)(1).

c. A "[f]inancial product or service" includes, among other things, "[e]xtending credit and servicing extensions of credit[.]" *Id*. § 90005(k)(1).

d. It is unlawful for a "covered person" to "[e]ngage, have engaged, or propose to engage in any unlawful, unfair, deceptive, or abusive act or practice with respect to consumer financial products or services." *Id*. § 90003(a)(1).

e. It is also unlawful for a "covered person" to "offer or provide to a consumer any financial product or service not in conformity with any consumer financial law or otherwise commit any act or omission in violation of a consumer financial law." *Id*. § 90003(a)(2).

f. A "[c]onsumer financial law" is "a federal or California law that directly and specifically regulates the manner, content, or terms and conditions of any financial transaction, or any account, product, or service related thereto, with respect to a consumer." *Id*. § 90005(d).

17. Nexo Capital is a covered person subject to the CCFPL.

18. From July 26, 2018, through November 22, 2022, Nexo Capital offered a consumer financial product or service, in the form of the Crypto Credit Lines, to California residents.

19. The CFL is a consumer financial law within the meaning of California Financial code section 90005(d).

20. Nexo Capital, by committing many violations of the CFL, as set forth above:

a. Has engaged in unlawful acts and practices with respect to a consumer financial product or service, in violation of Financial Code section 90003(a)(1); and

b. Has offered or provided to consumers a financial product or service not in conformity with a consumer financial law or has otherwise committed acts or omissions in violation of a consumer financial law, in violation of Financial Code section 90003(a)(2).

21. It is the intention of the Commissioner and Nexo Capital to resolve this matter without the necessity of a hearing or other litigation.

NOW, THEREFORE, in consideration of the foregoing, and the terms and conditions set forth herein, the Parties agree as follows:

II.

TERMS AND CONDITIONS

1. Purpose. The Commissioner and Nexo Capital intend to resolve this matter for the purpose of judicial economy and expediency and without the uncertainty and expense of a hearing or other litigation. The agreed-upon actions herein shall not be construed as approval for any actions outside the scope of this Consent Order. Nexo Capital neither admits nor denies the facts, findings, and citations under this Consent Order.

2. Definitions. For the purpose of this Consent Order, the terms below shall be defined as follows:

a. "Consumer(s)": A current resident of the state of California who currently has "Fund(s)", as defined under Paragraph 2(b) of Section II, below, (1) on the Nexo platform or (2) otherwise custodied, stored, or held by Nexo Capital or a Nexo affiliate or subsidiary.

b. "Fund(s)": Any and all crypto assets and fiat money (1) deposited by Consumers into the Nexo platform, transferred or otherwise sent by Consumers to the Nexo platform, or received by or otherwise sent to Consumers on the Nexo platform; and (2) remaining on the Nexo platform or otherwise custodied, stored, or held by Nexo Capital or a Nexo affiliate or subsidiary. Funds include, but are not limited to:

i. Crypto assets pledged by Consumers as collateral for loans;

ii. Crypto assets in Consumers' wallets or accounts with Nexo Capital or Nexo affiliates or subsidiaries;

iii. Fiat money in Consumers' accounts with Nexo Capital or Nexo affiliates or subsidiaries; and

iv. Any and all other crypto assets and fiat money belonging to Consumers and remaining on the Nexo platform.

3. Desist and Refrain. Nexo Capital is hereby ordered to desist and refrain from doing the following:

a. Violating the California Financing Law (CFL) (Cal. Fin. Code § 22000 et seq.) and related regulations (10 C.C.R. § 1404 et seq.).

b. Violating the California Consumer Financial Protection Law (CCFPL) (Cal. Fin. Code § 90000 et seq.) and related regulations (10 C.C.R. § 1000 et seq.).

4. Transfer Notice of Consumers' Funds. Within one hundred twenty (120) calendar days of the effective date of this Consent Order, and before Nexo Financial LLC (Nexo Financial) conducts any lending activities in California pursuant to its CFL license (No. 60DBO-109416), Nexo Capital will notify all Consumers that their Funds will be transferred to Nexo Financial and that Nexo Financial is the entity that will conduct lending activities in California pursuant to its CFL license (Transfer Notice). Nexo Capital will implement the following procedures in connection with sending the Transfer Notice:

a. Transfer Notice. Nexo Capital shall (i) send the Transfer Notice, via text message and electronic mail, to each Consumer with Funds on the Nexo platform; and (ii) conspicuously publish the Transfer Notice on Nexo Capital's website (https://nexo.com/) and social media accounts (e.g., Twitter, Facebook, Reddit, and Instagram). The Transfer Notice shall be sent to the Consumer's last known phone number (via text message) and electronic mail address provided on the Nexo platform. The Transfer Notice shall, in pertinent part, say:

> Pursuant to a settlement with the California Department of Financial Protection and Innovation **(insert link to this Consent Order) on (insert effective date of this Consent**

> **Order)**, we are notifying you that your assets on the Nexo platform are being transferred to Nexo Financial LLC (CFL License No. 60DBO-109416) on **(insert applicable date)**. Any loans made or arranged by Nexo Financial LLC will be pursuant to its California Financing Law license.

Once Nexo Capital issues the Transfer Notice to Consumers, Nexo Capital shall simultaneously provide a copy of the Transfer Notice to Quincy Vien, Senior Counsel, Department of Financial Protection and Innovation, via electronic mail at Quincy.Vien@dfpi.ca.gov.

5. <u>Transfer of Consumers' Funds.</u> Thirty (30) calendar days after the issuance of the Transfer Notice under Paragraph 4 of Section II, above, and before Nexo Financial conducts any lending activities in California, Nexo Capital shall transfer all Funds to Nexo Financial. Once all Funds have been transferred to Nexo Financial, Nexo Capital shall simultaneously provide a written notice to Quincy Vien, Senior Counsel, Department of Financial Protection and Innovation, via electronic mail at Quincy.Vien@dfpi.ca.gov.

6. <u>No Waiver by Consumer.</u> The transfer of Funds under Paragraph 5 of Section II of this Consent Order shall not be conditioned on that Consumer waiving any right.

7. <u>Future Lending Activity.</u> Nexo Capital acknowledges and agrees that any future loans made to California borrowers under the Nexo brand shall be made by Nexo Financial pursuant to its CFL license (No. 60DBO-109416), or by such other entity licensed or exempt from licensing under the CFL.

8. <u>Penalty.</u> Nexo Capital shall pay a penalty of $500,000 (United States dollars) in six installment payments, as follows: (i) an initial payment of $100,000 to be made on February 1, 2026, and (ii) five monthly payments of $80,000 are each to be made on the first of each subsequent month, with payments deferred to the next business day if the first falls on a non-business day. Each penalty payment shall be made payable in the form of a cashier's check, wire transfer, or Automated Clearing House deposit to the Department of Financial Protection and Innovation and transmitted to the attention of Accounting – Litigation, Department of Financial Protection and Innovation, 2101 Arena Boulevard, Sacramento, California 95834. Notice of the

payment must be concurrently sent to Quincy Vien, Senior Counsel, Department of Financial Protection and Innovation, via electronic mail at Quincy.Vien@dfpi.ca.gov.

9. Waiver of Hearing Rights. Nexo Capital acknowledges that the Commissioner is ready, willing, and able to proceed with the filing of an enforcement action upon the findings contained in this Consent Order. Nexo Capital hereby waives the right to any hearings, and to any reconsideration, appeal, or other right to review which may be afforded under the CFL, CCFPL, California Administrative Procedure Act, California Code of Civil Procedure, or any other provision of law. By waiving such rights, Nexo Capital effectively consents to this Consent Order, including the Order to Desist and Refrain, contained herein, becoming final.

10. Failure to Comply with this Consent Order. Nexo Capital agrees that if the Commissioner (i) determines that Nexo Capital failed to comply with any term(s) of this Consent Order, (ii) provides notice to Nexo Capital pursuant to Paragraph 25 of Section II, and (iii) determines that Nexo Capital has failed to cure the violation(s) within sixty (60) calendar days of its receipt of the notice, or as further agreed to by the Parties, all of the following shall apply:

a. The Commissioner may institute proceedings for any and all matters otherwise resolved under this Consent Order.

b. The Commissioner may avail himself of any and all remedies available under the CFL, CCFPL, California Administrative Procedure Act, California Code of Civil Procedure, or any other provision of law.

11. Information Willfully Withheld or Misrepresented. If the Commissioner discovers that Nexo Capital knowingly or willfully withheld or misrepresented information used for and relied upon in this Consent Order, after providing Nexo Capital with due notice, this Consent Order or any specific paragraphs herein, at the Commissioner's sole discretion, may be revoked and the Commissioner may pursue any and all remedies available under law against Nexo Capital. Nexo Capital reserves any and all rights and defenses should such an action be brought available under law, including, but not limited to, all rights and defenses available under the CFL and CCFPL.

12. Future Actions by the Commissioner. Nexo Capital hereby acknowledges and agrees that the Consent Order is intended to constitute a full, final, and complete resolution of Nexo Capital's alleged violations of the CFL and CCFPL as set forth in Section I (Recitals) above (Violations), and that no further proceedings or actions will by brought by the Commissioner against Nexo Capital or any of its affiliated, or any of their respective partners, owners, officers, shareholders, directors, employees, or successors based on the alleged Violations. Notwithstanding the Commissioner reserves the right to bring any actions against Nexo Capital, or any of its respective partners, owners, officers, shareholders, directors, employees, or successors for any and all unknown violations of the CFL, CCFPL, or any other provision of law. Nexo Capital reserves any and all rights and defenses should such an action be brought available under law, including, but not limited to, all rights and defenses available under the CFL and CCFPL.

13. Assisting Other Agencies. Nothing in this Consent Order limits the Commissioner's ability to assist any other government agency (city, county, state, or federal) with any prosecution, or administrative, civil, or criminal action, brought by that agency against Nexo Capital or any other person based on any of the activities alleged in this matter or otherwise.

14. No Presumption Against Drafter. Each party acknowledges that it has had the opportunity to draft, review, and edit the language of this Consent Order. Accordingly, the Parties intend no presumption for or against the drafting party will apply in construing any part of this Consent Order. The Parties waive the benefit of California Civil Code section 1654 as amended or corresponding provisions of any successor statute, which provide that in cases of uncertainty, language of a contract should be interpreted most strongly against the party who caused the uncertainty to exist.

15. Independent Legal Advice. Each of the Parties represents, warrants, and agrees that it has had the opportunity to receive independent advice from an attorney(s) and/or representatives with respect to the advisability of executing this Consent Order.

16. Headings. The headings for the paragraphs of this Consent Order are inserted for convenience only and will not be deemed a part hereof or affect the construction or interpretation of the provisions hereof.

17. Binding. This Consent Order is binding on all heirs, assigns, and/or successors in interest.

18. Reliance. Each of the Parties represents, warrants, and agrees that in executing this Consent Order, it has relied solely on the statements set forth herein and the advice of its own legal counsel, if represented. Each of the Parties further represents, warrants, and agrees that in executing this Consent Order, it has placed no reliance on any statement, representation, or promise of any other party, or any other person or entity not expressly set forth herein, or upon the failure of any party or any other person or entity to make any statement, representation, or disclosure of anything whatsoever. The Parties have included this clause: (1) to preclude any claim that any party was in any way fraudulently induced to execute this Consent Order; and (2) to preclude the introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this Consent Order.

19. Waiver, Amendments, and Modifications. No waiver, amendment, or modification of this Consent Order will be valid or binding unless it is in writing and signed by each of the Parties. The waiver of any provision of this Consent Order will not be deemed a waiver of any other provision. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Consent Order by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.

20. Full Integration. This Consent Order is the final written expression and the complete and exclusive statement of all the agreements, conditions, promises, representations, and covenants between the Parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous agreements, negotiations, representations, understandings, and discussions between and among the Parties, their respective representatives, and any other person or entity, with respect to the subject matter covered hereby.

21. Governing Law. This Consent Order will be governed by and construed in accordance with California law. Each of the Parties hereto consents to the jurisdiction of such court and thereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in such court.

22. Counterparts. This Consent Order may be executed in one or more separate counterparts, each of which when so executed, shall be deemed an original. Such counterparts shall together constitute a single document.

23. Effect Upon Future Proceedings. If Nexo Capital applies for any license, permit, or qualification under the Commissioner's jurisdiction, or is the subject of any future action by the Commissioner to enforce this Consent Order, then the subject matter hereof shall be admitted for the purpose of such application(s) or enforcement proceeding(s). Notwithstanding the foregoing, Nexo Capital shall not be denied a license, permit, or qualification solely because they have entered into this Consent Order.

24. Voluntary Agreement. Nexo Capital hereby enters into this Consent Order voluntarily and without coercion and acknowledges that no promises, threats, or assurances have been made by the Commissioner or any officer, or agent thereof, about this Consent Order. The Parties each represent and acknowledge that he, she, or it is executing this Consent Order completely voluntarily and without any duress or undue influence of any kind from any source.

25. Notice. Any notice required under this Consent Order shall be provided to each party at the following addresses:

To Nexo Capital:
Craig Warkol
McDermott Will & Schulte LLP
919 Third Avenue
New York, New York 10022
Craig.Warkol@srz.com

To the Commissioner:
Quincy Vien
Senior Counsel
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013
Quincy.Vien@dfpi.ca.gov

State of California - Department of Financial Protection and Innovation

26. Signatures. A fax or electronic mail signature shall be deemed the same as an original signature.

27. Public Record. Nexo Capital hereby acknowledges that this Consent Order is and will be a matter of public record.

28. Effective Date. This Consent Order shall become final and effective when signed by all Parties and delivered by the Commissioner's agent via electronic mail to Nexo Capital at the following electronic mail address: legal@nexo.io.

29. Authority to Sign. Each signatory hereto covenants that he/she possesses all necessary capacity and authority to sign and enter into this Consent Order and undertake the obligations set forth herein.

///
///
///

Dated: January 14 , 2026
Los Angeles, California

KHALIL MOHSENI
Commissioner of Financial Protection and Innovation

By: ______________________________
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

Dated: January 9, 2026

NEXO CAPITAL INC.

By: ______________________________
ANTONI TRENCHEV
Managing Director