

STATE OF CALIFORNIA

DEPARTMENT OF BUSINESS OVERSIGHT

In the Matter of)	
)	
VENMO, INC.)	FINAL ORDER
)	(Financial Code Section 2148)
Respondent)	

Pursuant to Financial Code §2148, the Commissioner of Business Oversight (Commissioner) hereby orders:

1. Venmo Inc. (Respondent) shall discontinue all unsafe practices as follows:
 - A. Within sixty (60) days of this Order, Respondent shall develop and implement a capital plan to maintain tangible shareholders' equity (TSE) of not less than \$1 million or 10% of total assets, whichever is higher, at all times. Moreover, for calculating TSE to total assets ratio, the composition of TSE shall include no more than 50% in the form of deferred tax assets. The capital plan shall also include timelines for the injection of capital.
 - B. Within sixty (60) days of this Order, Respondent shall file with the Commissioner a formal consumer assistance policy as required in the Conditions of Approval dated December 12, 2013.
 - C. Respondent shall commission a special outside audit of its Bank Secrecy Act (BSA), Anti-Money Laundering (AML), Office of Foreign Asset Control (OFAC), and USA Patriot Act compliance program and deliver a copy of the audit and management's response to the Commissioner by December 19, 2014.
 - D. On or before the twenty-first day of each month, Respondent shall submit company prepared financial statements and an average daily transmission liability (ADTL) report as of the end of the previous month. The reports will be consistent and include brief financial notes of any significant change of the reporting format as well and material financial changes.
 - E. Within sixty (60) days of this Order, Respondent shall establish an inter-company transaction policy and procedures which shall require that all intercompany transactions

are at "arm's length." The inter-company transaction policy shall be reviewed and approved by the board.

- F. Respondent shall comply with California Financial Code Section §2039(b), which requires each licensee, within 90 days after the end of each fiscal year, file with the commissioner an audit report for the fiscal year. The audit report shall be prepared in accordance with United States generally accepted accounting principles and such other information as the commissioner may require.
- G. Within sixty (60) days of this Order, Respondent shall review, update, and approve the Anti-Money Laundering (AML) compliance program. Respondent shall enhance and standardize the Know Your Customer (KYC) policies and procedures and transaction limit within the AML compliance program to ensure reliable and complete recordkeeping and reporting for all future transactions. Respondent shall follow its KYC policies and procedures, regardless whether long-established customers (legacy customers) are involved.
- H. Within sixty (60) days of this Order, Respondent shall designate a compliance officer to handle daily compliance function. The compliance officer shall be appointed by the board.
- I. Within sixty (60) days of this Order, Respondent shall implement a compliance system for active suspicious activity monitoring to prevent possible structuring and money laundering. Respondent shall also devote additional resources to improve turnaround for suspicious activity reporting.
- J. Within sixty (60) days of this Order, Respondent shall enhance the Office of Foreign Asset Control (OFAC) monitoring system and implement fuzzy logic OFAC detection. Respondent shall perform and document its weekly OFAC reviews of all existing customers in an effort to demonstrate its compliance efforts.
- K. Within sixty (60) days of this Order, Respondent shall correct the Call Report deficiencies noted in the Report of Examination and re-file the Call Report as of December 31, 2013. Respondent shall read and follow the Call Report Instructions when the Call Report is prepared.
- L. Within sixty (60) days of this Order, Respondent shall implement control procedures in the accounting area to ensure accurate and reliable financial reporting and compliance with United States generally accepted accounting principles. To minimize repeated errors made in the financial statements and Call Reports, Respondent shall establish accounting

EXHIBIT A

policies and procedures to streamline the reporting procedures and review process. In addition, Respondent shall designate a responsible and qualified officer at the licensee level to manage and oversee the accounting function who will confirm accuracy of the financial statements submitted to the Commissioner. Verification will be completed with a signature.

- M. Within sixty (60) days of this Order, Respondent shall establish detailed procedures specific for the Respondent acting as an authorized agent of PreCash, Inc. (PreCash). The procedures shall include, but are not limited to, the accounting of funds received on behalf of PreCash, operating procedures of handling PreCash transactions, and control procedures to prevent comingling of funds.
- N. Within sixty (60) days of this Order, Respondent shall establish the average daily transmission liability methodology for money received for transmission (ADTL-MT). Respondent shall begin reporting ADTL-MT beginning January 1, 2014.
- O. Within sixty (60) days of this Order, Respondent shall establish control procedures to ensure that all future average daily transmission liability (ADTL) reports shall be supported by transaction data. Respondent shall also address to the deficiencies noted in the Report of Examination in regards to the reconciliation of transaction data to the ADTL reports.
- P. Within sixty (60) days of this order, Respondent shall establish an escheatment policy and procedures to ensure due diligence, reporting and remittance procedures are followed. Respondent shall establish control procedures to prevent using unclaimed properties as business income or other purposes and cease the practice immediately.
- Q. Within sixty (60) days of this order, Respondent shall establish vital company policies and procedures, including but not limited to accounting, intercompany transactions, consumer privacy (including California Information Privacy Act), information technology, operations, internal controls, and ACH and fraud loss management. Respondent shall ensure that company policies and procedures are reviewed, revised if needed and approved by the board on a regular basis, at least annually.
- R. Within sixty (60) days of this order, Respondent shall establish crucial business plans, including but not limited to, a strategic plan, a management succession plan, an emergency preparedness plan, and a disaster recovery plan. The plans shall be reviewed, revised if needed and approved by the board on a regular basis, at least annually.
- S. Within sixty (60) days of this order, Respondent shall improve and formalize the corporate governance by documenting corporate actions and decisions in written minutes.

EXHIBIT A

T. Within thirty (30) days of the end of each quarter, Respondent shall furnish a written progress report to the Commissioner. The report shall set forth the following details:

- (a) Actions taken to comply with each section of this Order;
- (b) The results of those actions; and
- (c) A description of actions remaining to be accomplished in order to achieve full compliance with each section of this Order.

2. This Order is effective immediately. Violation of any provision of this Order will be deemed to be conducting business in an unsafe manner and will subject the Respondent to further regulatory enforcement action. The Commissioner reserves the right to amend, revoke or rescind this Order, in whole or in part.

Date: 7/21/14

_____/s/_____
Jan Lynn Owen
Commissioner of Business Oversight