

**STATE OF CALIFORNIA**

**DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION**

In the Matter of )  
 )  
 YAPSTONE, INC., )  
 )  
 Respondent )  
\_\_\_\_\_ )

ORDER  
(Fin. Code, § 2148)

Pursuant to Financial Code section 2148, the Commissioner of Financial Protection and Innovation (“Commissioner”) hereby orders:

1. (a) Within one hundred and eighty (180) days of the date of this Order, Yapstone, Inc. (“Respondent”) shall comply with all provisions of this Order; and  
  
(b) Respondent shall not engage in regulated activity unless and until all the following conditions are met:
  - (i) Respondent complies with all provisions of this Order as determined by the Commissioner; and
  - (ii) Respondent applies for and receives written approval from the Commissioner.
  
2. Respondent shall ensure that the intercompany account receivable from Yapstone Holdings, Inc., does not exceed fifty (50) percent of Respondent’s tangible shareholder’s equity, as required by Financial Code section 2040, subdivision (e).
  
3. Respondent shall develop, adopt, and implement policies and procedures to ensure that Respondent at all times owns eligible securities having an aggregate market value, computed in accordance with United States generally accepted accounting principles (“US GAAP”), of not less than the aggregate amount of all its outstanding money received for transmission, as required by Financial Code section 2081, subdivision (a). Unless and until Respondent’s bank accounts designated as “For the Benefit of” (“FBO”) accounts are approved by the Commissioner as eligible securities, Respondent shall omit the FBO titled accounts from future calculations of eligible securities.
  
4. Respondent shall develop, adopt, and implement policies and procedures to maintain and report accurate outstanding transmission liability. Respondent’s transmission methodology shall include the following for recognizing and extinguishing its transmission liabilities for Automated Clearing House (“ACH”) transactions and debit/credit card transactions:

- (a) Respondent shall report the transmission liability on the date it initiates a debit from the customer's account via ACH or on the date it initiates payment from a debit/credit card.
  - (b) In the case of an ACH push initiated by the customer as a push from the customer's account, Respondent shall report the transmission liability on the date that Respondent receives the funds into its bank account.
  - (c) Respondent shall not extinguish the transmission liability before the date that the beneficiary's account actually receives the ACH credit or funds.
  - (d) ACH debits and debit/credit card receivables originated in section 4(a) above may be recognized as cash items in transit and may be counted as eligible securities.
5. Respondent shall revise and implement internal policies and controls to reduce financial risk and prevent the misuse of assets including cash balances. Respondent shall provide written documentation of its updated internal controls to the Commissioner.
  6. Respondent shall provide the Commissioner a copy of the final report and any other results of the internal forensic audit conducted by Respondent's compliance department.
  7. Respondent shall revise its accounting manual to include updated policies and procedures to charge off receivables after they become one year past due, as required by Financial Code section 2040, subdivision (d).
  8. Respondent shall appoint a full-time chief financial officer and submit to the Commissioner background information on the chief financial officer. The background information shall include a confidential resume, personal financial statement, fingerprint/background check documentation, and written consent form.
  9. Respondent shall revise, adopt, and implement policies and procedures to strengthen its vendor management program to ensure all vendors are properly vetted and due diligence is appropriately documented.
  10. Within one hundred and eighty (180) days of the date of this Order, Respondent shall provide to the Commissioner a report detailing how Respondent has addressed the violations and findings of the safety and soundness examination dated September 26, 2022, and complied with all provisions of this Order. Thereafter, at the end of each calendar quarter, until this Order is either terminated or amended accordingly by the Commissioner, Respondent shall provide written progress reports to the Commissioner detailing its continued compliance with the provisions of this Order.

This Order is effective immediately as of the date set forth below. Violation of any provision of this Order will be deemed by the Commissioner to be conducting business in an unsafe manner and may subject Respondent to further regulatory enforcement action, for which the Respondent shall retain its right to assert any appropriate defense and/or objection in any appropriate forum. The Commissioner reserves the right to amend, revoke or rescind this Order, in whole or in part.

Date: April 28, 2023

/s/

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Robert Venchiarutti  
Deputy Commissioner  
Department of Financial Protection and Innovation