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PA DEPARTMENT OF BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA :
DEPARTMENT OF BANKING AND :
SECURITIES, COMPLIANCE OFFICE :

v. :

DOCKET NO. 17 0011 (BNK-CAO)

YAPSTONE HOLDINGS, INC. and :
YAPSTONE, INC. :

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Compliance Office, evaluated certain business practices of Yapstone Holdings, Inc. and YapStone, Inc., (collectively "Yapstone") and its officers, employees and directors. Based on the results of its evaluation, it is the Compliance Office's position that Yapstone violated the act known as the Money Transmitter Act ("MTA"), 7 P.S. § 6101 *et seq.* Yapstone without admitting or denying any of the allegations herein, agrees to the terms of this Consent Agreement and Order ("Order"). The parties seek to resolve this matter amicably to save the time and resources that ongoing litigation would require, and to this end, hereby stipulate that the following statements are true and correct in the settlement of the above-captioned matter and, intending to be legally bound, hereby agree to the terms of this Order.

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the MTA.
2. The Department's Compliance Office is charged with the responsibility of administering and enforcing the MTA and the Department of Banking and Securities Code ("Code") for the Department. 71 P.S. § 733-1 *et seq.*

3. Section 202.D. of the Code authorizes the Department to issue orders as necessary and appropriate to administer any statute within the Department's jurisdiction. 71 P.S. § 733-202.D.

4. The Department has authority to impose an order against a person and issue a fine of "up to ten thousand dollars (\$10,000) for each offense." *See* 7 P.S. §§ 6113, 6114, 6116; *see also* 1 Pa. Code § 35.20.

5. Yapstone Holdings, Inc. is the parent company of YapStone, Inc.

6. YapStone, Inc. and Yapstone Holdings, Inc. are Delaware corporations located at 2121 N. California Blvd., Suite 400, Walnut Creek, CA 94596.

7. Yapstone is engaged in the business of creating transmittal instruments for the movement of money from consumers to their creditor(s) or faith-based and nonprofit organizations for which it receives a payment of a fee.

8. Yapstone is not currently, and has never been, licensed as a money transmitter by the Department.

9. YapStone, Inc. has submitted an application to the Department, on or around December 30, 2016, for licensure as a money transmitter.

10. Only YapStone, Inc. will engage in money transmission in the Commonwealth of Pennsylvania if it is properly licensed.

11. If Yapstone Holdings, Inc. seeks to or engages in money transmission in Pennsylvania, it will obtain the proper licensure in addition to YapStone, Inc.

VIOLATION

12. Section 2 of the MTA provides that:

No person shall engage in the business of transmitting money by means of a transmittal instrument for a fee or other consideration with or on behalf of an individual without first having obtained a license from the department.

13. A person includes an "individual or an organization..." 7 P.S. § 6101.

14. A transmittal instrument is "any check, draft, money order, personal money order, debit card, stored value card, electronic transfer or other method for the payment of money or transmittal of credit..." 7 P.S. § 6101.

15. It is the Compliance Office's position that Yapstone does not meet any of the exemptions to licensure contained in the MTA. *See* 7 P.S. §§ 6103, 6104.

16. It is the Compliance Office's position that Yapstone engaged in the business of transmitting money by means of a transmittal instrument for a fee when it, *inter alia*, facilitated the transfer of money from consumers to their creditor(s) or faith-based and non-profit organizations, in violation of the MTA.

RELIEF

17. Fine. Yapstone shall pay the Department a fine in the aggregate amount of \$94,000, outlined as follows. Within 30 days of the effective date of this Order, YapStone, Inc. shall pay \$18,800 and Yapstone Holdings, Inc. shall pay \$75,200 to pay the entire amount of \$94,000. Each payment shall be made by company check, certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Compliance Office located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

18. License. Upon the effective date of this Order, YapStone, Inc.'s money transmitter license application will be approved by the Licensing Office. Should Yapstone, and its subsidiaries and affiliates, fail to comply with any of the terms set forth in the Order, including failure to pay their fines in a timely manner, the Department reserves the right to take enforcement action against Yapstone or its affiliates and subsidiaries, including suspension, revocation or refusal to renew a money transmitter license.

19. Corrective Action.

- a. Yapstone, its affiliates or subsidiaries, shall not engage in the business of money transmission without maintaining a money transmitter license.
- b. YapStone, Inc. must notify the Department's Licensing Office immediately should YapStone, Inc. make any changes to its business plan. YapStone, Inc. shall provide the Licensing Office with the new business plan and any information that it may request regarding those changes(s).

FURTHER PROVISIONS

20. Consent. Yapstone hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Department's order authority under the MTA and agrees that it understands all of the terms and conditions contained herein. Yapstone, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

21. Publication. The Department will publish this Order pursuant to its authority in Section 302.A(5) of the Department of Banking and Securities Code, 71 P.S. § 733-302.A(5).

22. Entire Agreement. This Order contains the entire agreement between the Department and Yapstone. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and Yapstone.

23. Other Enforcement Action.

- a. The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against Yapstone, its affiliates and subsidiaries, in the future regarding all matters not resolved by this Order.

b. Yapstone acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

24. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

25. Counterparts. This Order may be executed in separate counterparts, by facsimile and PDF.

26. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Department of Banking and Securities' Compliance Office and Yapstone, intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT OF
BANKING AND SECURITIES,
COMPLIANCE OFFICE**

FOR YAPSTONE, INC.

Redacted
Ryan M. Walsh
Chief, Compliance Office

Redacted
(Officer Signature)

Date: March 15, 2017

DAVID E. DURANT
(Print Officer Name)



SECRETARY & GENERAL COUNSEL
(Title)

Date: 3/13/17

FOR YAPSTONE HOLDINGS, INC.

Redacted
(Officer Signature)

DAVID E. DURANT
(Print Officer Name)

SECRETARY & GENERAL COUNSEL
(Title)

Date: 3/13/17