

ORDER NO. 2016-006

IN THE MATTER OF:	§	BEFORE:
	§	
COIN CAFE, INC.	§	THE BANKING
	§	COMMISSIONER OF TEXAS
	§	
BROOKLYN, NEW YORK	§	AUSTIN, TRAVIS COUNTY, TEXAS

CONSENT ORDER

On this day, in the matter of Coin Cafe, Inc., Brooklyn, New York (Coin Cafe or Respondent) was submitted to me, Charles G. Cooper, Banking Commissioner (Commissioner) of the State of Texas, for consideration and action.

1. Coin Cafe is a corporation organized under the laws of the State of New York and is located at 240 Kent Avenue, Brooklyn, New York 11249. Coin Cafe operates on the Internet through its webpage located at <https://coincafe.com/>.
2. The Department has jurisdiction over Coin Cafe and the subject matter of this proceeding pursuant to Texas Finance Code (Finance Code) Chapter 151 (Chapter 151). The Commissioner has the authority to issue this Consent Order (Order) and to assess administrative penalties pursuant to Finance Code §§ 151.706 and 151.707.
3. Coin Cafe has been properly notified of its right to an administrative hearing under Chapter 151. Coin Cafe is represented in this matter by Manatt, Phelps & Phillips, LLP.
4. The undersigned representative of Coin Cafe has full authority to enter into and bind Coin Cafe to the terms and conditions of this Consent Order.
5. The statutory provisions at issue in this matter include, but are not limited to, Finance Code §§ 151.301, 151.302, 151.706, and 151.707.
6. Any violation of this Order could subject Coin Cafe to additional regulatory or enforcement actions authorized by Chapter 151 and other provisions of Texas law.

Nothing in this Order diminishes the regulatory or enforcement powers of the Department, the Commissioner, or the Finance Commission of Texas under Chapter 151 or other applicable law.

7. For purposes of this proceeding, Coin Cafe knowingly and voluntarily waives:
 - a. Service upon Coin Cafe of this Order;
 - b. The right to present defenses to the allegations in this proceeding;
 - c. Notice and hearing prior to imposition of this Order;
 - d. The filing of proposed findings of fact and conclusions of law;
 - e. The issuance of a proposal for decision by an administrative law judge;
 - f. The filing of exceptions and briefs with respect to such proposal for decision;
 - g. Any review of this Order by the Texas Finance Commission; and
 - h. Judicial review of this Order as provided by Texas Government Code § 2001.171 et seq., and any other challenge to the validity of this Order.
8. Coin Cafe and the Commissioner agree to this Order solely for the purpose of this proceeding, and without Coin Cafe admitting or denying any violations of law or regulations. This Order does not constitute an admission by Coin Cafe that Chapter 151 or a rule adopted or order issued under Chapter 151 has been violated.
9. The Commissioner has considered this matter and finds as follows:
 - a. Coin Cafe sells cryptocurrency from its own inventory and purchases cryptocurrency for its own inventory. Prior to January 19, 2016, Coin Cafe also permitted its customers to create an online wallet with Coin Cafe, an account in which they can store fiat currency before or after purchasing or selling cryptocurrency from or to Coin Cafe's own inventory.

- b. In August 2015, Coin Cafe contacted the Department and requested a determination of whether or not its activities constitute money transmission in Texas.
- c. Based on Coin Cafe's description of its business, the Department sent Coin Cafe a determination letter on December 17, 2015. The letter informed Coin Cafe that by allowing Texas consumers to open an account, store fiat currency in it, and withdraw the fiat currency at a later time for compensation, it was engaging in the business of money transmission.
- d. In the letter, the Department also stated that Coin Cafe could not offer its services to Texas customers without a money transmission license. Further, the letter mandated that "[n]o later than January 19, 2016, Coin Cafe must either apply for a temporary money transmission license or confirm in writing that it will no longer conduct these transactions in Texas."
- e. Coin Cafe subsequently notified the Department that it no longer conducted these transactions in Texas and would not be seeking a temporary money transmission license in Texas.
- f. After multiple correspondence exchanges, Coin Cafe notified the Department that it had actually stored fiat currency for a limited number of Texas residents.
- g. Finance Code § 151.302(a) provides that "a person may not engage in the business of money transmission or advertise, solicit, or hold itself out as a person that engages in the business of money transmission" without a license. As described above, Coin Cafe held fiat currency for Texas consumers, thereby conducting money transmission in violation of Finance Code §151.302(a).

- h. As required by Finance Code § 151.707(d), the Commissioner has considered the seriousness of the violations, Coin Cafe's compliance history, and Coin Cafe's good faith in attempting to comply with Chapter 151. The Commissioner finds that while Coin Cafe voluntarily requested a determination, it had stored fiat currency for Texas residents.
 - i. Based on these findings and based on the representations made by Coin Cafe as to the volume of transactions and length of time it had been conducting an unlicensed money transmission business in Texas, the Commissioner finds that a penalty of \$10,000 is appropriate.
- 10. Coin Cafe has agreed to comply with the terms that are set out in the Order below.
 - 11. Nothing in this Order shall prohibit Coin Cafe from submitting an application to the Department for a money transmission license or a temporary money transmission license in the future.
 - 12. This Order does not restrict the Department with respect to any enforcement action or other recourse regarding any past, current, or future violations by Coin Cafe that come to the attention of the Department. However, nothing herein shall be construed to limit Coin Cafe's right to contest any future finding or determination of non-compliance.

ORDER

It is hereby ORDERED, ADJUDGED and DECREED that:

- 1. Upon the Effective Date of this Order, Coin Cafe will not conduct, directly or indirectly through the activities of others, any money transmission, as defined by the Chapter 151, for any customers in Texas, nor will it advertise or solicit persons in Texas for such services, until a money transmission license is granted by the Department. In complying

with this section of the Order, Coin Cafe will not store fiat currency for any Texas residents and will limit its transactions with Texas residents to the purchase and sale of cryptocurrency out of Coin Cafe's inventory.

2. Within seven days of the Effective Date of this Order, Coin Cafe will confirm to the Department in writing that it is not conducting money transmission activities, as defined by Chapter 151, in Texas.
3. Within 10 days of the Effective Date of this Order, Coin Cafe will have delivered to the Department a check made payable to the Texas Department of Banking in the amount of \$10,000 as payment of the administrative penalty.
4. Unless Coin Cafe has already done so, within 10 days of the Effective Date of this Order, Coin Cafe will ensure that its website, <https://coincafe.com/>, prevents consumers located in Texas from using any of Coin Cafe's services, except for those outlined in paragraph 1 above, by blocking: (a) transactions attempted by an Internet Protocol address identified as located in the state of Texas and (b) transactions involving an address in Texas.
5. Within seven days of achieving full compliance with the preceding paragraph, Coin Cafe will confirm to the Department in writing that the website configurations have been completed.
6. Unless Coin Cafe has already done so, within 30 days of the Effective Date of this Order, Coin Cafe will return any funds that are held by Coin Cafe and are due to Texas customers.
7. Within seven days of achieving full compliance with the preceding paragraph, Coin Cafe will confirm to the Department in writing that all funds held by Coin Cafe for Texas customers have been returned to those customers.

EFFECTIVE DATE

This Order against Coin Cafe is effective on the date signed by the Commissioner and is final and non-appealable as of that date.

Signed on this 28th day of March, 2016.

/s/ Charles G. Cooper
Charles G. Cooper
Commissioner, Texas Department of Banking

AGREED AS TO FORM AND SUBSTANCE:

Coin Cafe, Inc.

/s/ Jonathan Ha

Date: March 16, 2016

APPROVED AS TO FORM:

/s/ Carol R. Van Cleef
Carol R. Van Cleef
Manatt, Phelps & Phillips, LLP
Counsel for Coin Cafe, Inc.

Date: March 17, 2016

/s/ Stephanie Lowe
Stephanie Lowe
Assistant General Counsel
Texas Department of Banking

Date: March 28, 2016