

ORDER NO. 2018-025

IN THE MATTER OF:

PLOOTO, INC.

TORONTO, ONTARIO

§ **BEFORE:**

§

§ **THE BANKING**

§ **COMMISSIONER OF TEXAS**

§

§ **AUSTIN, TRAVIS COUNTY, TEXAS**

CONSENT ORDER

On this day, in the matter of Plooto, Inc. (“Plooto” or “Respondent”) was submitted to me, Charles G. Cooper, Banking Commissioner (“Commissioner”) of the State of Texas, for consideration and action.

1. Plooto is a corporation based in Toronto, Ontario, Canada, with an office in Brooklyn, New York. Mr. Hamed Abbasi is the Chief Executive Officer of Plooto.
2. The Texas Department of Banking (“Department”) has jurisdiction over Plooto 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. Plooto has been properly notified of its right to an administrative hearing under Chapter 151.
4. The undersigned representative of Plooto has full authority to enter into and bind Plooto to the terms and conditions of this Order.
5. The statutory provisions at issue in this matter include, but are not limited to, Finance Code §§ 151.301, 151.302, 151.702, 151.706, and 151.707.
6. Any violation of this Order could subject Plooto 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, Plooto knowingly and voluntarily waives:
 - a. Service upon Plooto 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. Plooto and the Commissioner agree to this Order solely for the purpose of this proceeding, and without Plooto admitting or denying any violations of law or regulations. This Order does not constitute an admission by Plooto 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. Plooto created a payments platform that allows its small-business customers to make payments to vendors and service providers. In a typical transaction, when Plooto's customer receives a bill from a vendor or service provider, the customer sends Plooto instructions to pay the vendor or service provider. Based on these payment instructions, Plooto initiates an electronic funds transfer from its customer's bank account on the date, and in the amount, the customer specifies. Plooto charges its customer a per transaction fee for the bill payment service.
 - b. On or about August 21, 2017, the Department received a report that indicated Plooto potentially engaged in money transmission in the State of Texas, beginning in 2017.
 - c. On or about September 20, 2017, Department staff sent a letter via certified mail to Abbasi at 68 Jay Street, Unit 201, Brooklyn, New York 11201, the address of Respondent's U.S. office, inquiring of the business activities being conducted by Respondent.

- d. On or about January 12, 2018, Respondent mailed a letter to the Department to explain Respondent's business model.
- e. On or about February 15, 2018, the Department mailed a letter to Respondent's outside counsel advising that under the business model described in Item 9(a) above, Respondent requires a money transmission license to operate in Texas.
- f. On or about April 12, 2018, Respondent submitted an Application for a Temporary Money Transmission License for the Department's consideration. The Department issued the Temporary Money Transmission License on May 14, 2018.
- g. Under Finance Code § 151.301(b)(4)(iii), money transmission includes "providing third-party bill paying services." The Finance Code defines engaging in the business of money transmission as receiving compensation or expecting to receive compensation, directly or indirectly, for conducting money transmission. Finance Code § 151.302(b). In facilitating the payment of its customers' bills to third-party vendors and service providers, Respondent was engaging in the business of money transmission.
- h. 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 unless it is an authorized delegate of a license holder, is excluded from licensure under Chapter 151, or has been granted an exemption under Chapter 151.
- i. As described above, Plooto conducted money transmission in Texas. Until Plooto received its temporary license on May 4, 2018, the Department had not licensed Plooto; Plooto was not an authorized delegate of a license holder; Plooto was not excluded from licensure under Chapter 151; and Plooto had not been granted an exemption under Chapter 151. Consequently, the Commissioner finds that Plooto violated Finance Code § 151.302.

- j. As required by Finance Code § 151.707(d), the Commissioner has considered the seriousness of the violations, Respondent’s compliance history, and Respondent’s good faith in attempting to comply with Chapter 151. The Commissioner finds that Respondent’s violations were serious because Respondent conducted money transmission activities in Texas without a license and therefore did not provide Texas customers with the requisite protections or perform the required recordkeeping functions of a licensee.
 - k. Based on these findings and based on the representations made by Plooto as to the volume of transactions and length of time it has been conducting an unlicensed money transmission business in Texas, the Commissioner finds that a penalty of \$27,528 is appropriate.
- 10. Plooto has agreed to comply with the terms that are set out in the Order below.
 - 11. Nothing in this Order shall prohibit Plooto from obtaining a money transmission license from the Department 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 Plooto that come to the attention of the Department. However, nothing herein shall be construed to limit Plooto’s right to contest any future finding or determination of non-compliance.

ORDER

It is hereby ORDERED, ADJUDGED and DECREED that:

- 1. Within 10 days of the Effective Date of this Order, Plooto will have delivered to the Department a check made payable to the Texas Department of Banking in the amount of \$27,528 as payment of the administrative penalty.
- 2. Plooto will fulfill all the requirements to obtain a license to conduct money transmission in Texas as detailed in Chapter 151 or apply for an exclusion from licensing under Finance Code § 151.003(5) and 7 Texas Administrative Code § 33.3 (the “agent exclusion”). In the event Plooto

does not apply for or is not granted an agent exclusion, and either of Plooto's license applications is (i) suspended pursuant to Finance Code § 151.204, (ii) determined abandoned pursuant to 7 Texas Administrative Code § 33.13(g)(1), or (iii) denied pursuant to Finance Code § 151.205, Plooto will do the following:

- a. Within 15 days of the Department's notification to Plooto of said suspension, abandonment or denial, notify its existing Texas customers that it will cease providing money transmission services to them. This notification must be made in writing, and a copy of the notice must be sent contemporaneously to the Department;
- b. Within 60 days of the Department's notification to Plooto of said suspension, abandonment or denial, cease and desist from engaging in the unauthorized business of money transmission in Texas and have returned to its customers all customer funds held by Plooto; and
- c. Within seven days of achieving full compliance with this paragraph, Plooto must confirm to the Department in writing that it has ceased all unlicensed activities in Texas.

EFFECTIVE DATES

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

Signed on this 6th day of September, 2018.

/s/ Charles G. Cooper

Charles G. Cooper
Commissioner, Texas Department of Banking

AGREED AS TO FORM AND SUBSTANCE:

Plooto, Inc.

/s/ Hamed Abbasi

By: Hamed Abbasi

Date: 9/6/18

APPROVED AS TO FORM:

/s/ Michael Nonaka

Michael Nonaka
Covington & Burling LLP
Counsel for Plooto, Inc.

Date: 9/6/18

/s/ Chris W. Bell

Chris W. Bell
Assistant General Counsel
Texas Department of Banking

Date: 9/6/18