

ORDER NO. 2020-004

IN THE MATTER OF:	§	BEFORE THE BANKING
	§	
KARLILU, LLC	§	COMMISSIONER OF TEXAS
	§	
	§	
CHARLOTTE, NORTH CAROLINA	§	AUSTIN, TRAVIS COUNTY, TEXAS

CONSENT ORDER

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

1. Karlilu is a North Carolina limited liability company with its principal office located in Charlotte, North Carolina.
2. The Texas Department of Banking (“Department”) has jurisdiction over Karlilu and the subject matter of this proceeding pursuant to *Texas Finance Code* (“Finance Code”) Chapter 151 (“Chapter 151”).
3. 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.
4. Karlilu has been properly notified of its right to an administrative hearing under Chapter 151.
5. The undersigned representative of Karlilu has full authority to enter into and bind Karlilu to the terms and conditions of this Consent Order.
6. The statutory provisions at issue in this matter include, but are not limited to, Finance Code §§ 151.203, 151.301, 151.302, 151.702, 151.706, and 151.707.
7. Any violation of this Order could subject Karlilu 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.

8. For purposes of this proceeding, Karlilu knowingly and voluntarily waives:
 - a. Service of process upon Karlilu 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; and
 - g. 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.
9. Karlilu and the Commissioner agree to this Order solely for the purpose of this proceeding, and without Karlilu admitting or denying any violations of law or regulations. This Order does not constitute an admission by Karlilu that Chapter 151 or a rule adopted or order issued under Chapter 151 has been violated.
10. Karlilu has agreed to comply with the terms that are set out in the Order below. Additionally, Karlilu has voluntarily ceased all money transmission transactions with Texas customers. Karlilu agrees to obtain a license from the Department if a decision is made to resume this business in Texas.
11. Nothing in this Order shall prohibit Karlilu 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 Karlilu that come to the

attention of the Department. However, nothing herein shall be construed to limit Karlilu's right to contest any future finding or determination of non-compliance.

I. Findings of Fact

13. The Commissioner has considered this matter and finds as follows:

a. Karlilu offered an online foreign remittance service, called Karlilu Kodoo, which allowed its Texas customers to send money to persons in The Gambia (the "Recipient"). Before ceasing operations with Texas customers, the Karlilu Kodoo service functioned as follows:

1) a Karlilu Kodoo customer sent Karlilu a sum of money comprised of the funds to be transmitted ("Funds") and a separate transaction fee ("Fee"). Karlilu received the Funds and Fee in a U.S.-based Bank of America account it owned and controlled.

2) if Karlilu approved the customer's transfer request, it kept the Fee in its U.S.-based Bank of America account, and then transmitted the Funds to several Gambian-based bank accounts it owned and controlled, from which all disbursements were made to Gambian Recipients.

b. In 2019, the Department became aware that Karlilu was offering its foreign remittance services to Texas residents since late December 2017.

c. Under Finance Code § 151.301(b)(4), money transmission means "the receipt of money or monetary value by any means in exchange for a promise to make the money or monetary value available at a later time or different location." 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 receiving customers' funds and compensation for a promise to make the funds available at a later time and/or location, Karlilu was engaging in the business of money transmission.

- d. 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.
- e. As described above, Karlilu was conducting money transmission services on behalf of Texas customers. The Department has not licensed Karlilu; Karlilu is not an authorized delegate of a license holder; Karlilu is not excluded from licensure under Chapter 151; and Karlilu has not been granted an exemption under Chapter 151. Consequently, the Commissioner finds that Karlilu is in violation of Finance Code § 151.302.
- f. As required by Finance Code § 151.707(d), the Commissioner has considered the seriousness of the violations, Karlilu's compliance history, and Karlilu's good faith in attempting to comply with Chapter 151. The Commissioner finds that Karlilu's violations were serious because Karlilu 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 included with an anti-money laundering program of a licensee. Additionally, the Commissioner finds Karlilu's prior compliance history unacceptable because it conducted money transmission activities without a license.

- g. Based on these findings and based on the representations made by Karlilu 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 \$7,900 is appropriate.

II. Order

It is hereby ORDERED, ADJUDGED and DECREED that:

14. By February 7, 2020, Karlilu will have delivered to the Department either a check made payable to the Texas Department of Banking in the amount of \$7,900, or wired these funds per instructions from the Department, as payment in full of the administrative penalty assessed herein.
15. Karlilu shall not conduct any future money transmission transactions with or on behalf of Texas customers without first obtaining a money transmission license from the Texas Department of Banking.

III. Effective Dates

16. This Order against Karlilu is effective on the date signed by the Commissioner and is final and nonappealable as of that date.

Signed on this 4th day of February, 2020.

/s/ Charles G. Cooper
Charles G. Cooper
Banking Commissioner of the State of Texas

AGREED AS TO FORM AND SUBSTANCE

Karlilu, LLC,
a North Carolina limited liability

/s/ Simon Mendy
Name: Simon Mendy
Its: Managing Member of Karlilu, LLC

Date: January 29, 2020

APPROVED AS TO FORM:

/s/ William C. Mayberry
William C. Mayberry
McGuireWoods, LLC
Attorney for Karlilu, LLC

Date: January 30, 2020

/s/ Cristina M. Nahidi
Cristina M. Nahidi
Texas Department of Banking
Deputy General Counsel

Date: February 3, 2020