



**PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS**

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General Counsel

March 7, 2013

Elena Sabkova, Esq.
Chief Compliance Officer & General Counsel
Skrill USA, Inc.
61 Broadway, Suite 1603
New York, New York 10006

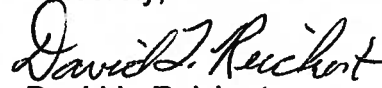
Re: Stipulation and Cease and Desist Order

Dear Ms. Sabkova,

Enclosed, please find an originally executed Stipulation and Consent to the Issuance of an Order to Cease and Desist as well as a copy of the Commissioner's Order to Cease and Desist.

Please let me know if you have any questions.

Sincerely,


David L. Reichert
General Counsel

Encs.

cc. Sarah Butler
Director, Division of Non-Depository Institutions

IN THE MATTER OF:

ORDER TO CEASE AND DESIST

SKRILL USA, INC.
61 Broadway, Suite 1603
New York, NY 10006

Skrill USA, Inc. ("SKRILL"), having been advised of its right to appeal any Order of the Commissioner of the Kentucky Department of Financial Institutions (the "DEPARTMENT") pursuant to KRS 286.11-053 resulting from a finding of unsafe or unsound practices alleged to have been committed by SKRILL and, having waived those rights, entered into a Stipulation and Consent to the Issuance of an Order to Cease and Desist ("CONSENT AGREEMENT") with the DEPARTMENT dated March 6, 2013, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound practices in conducting the business of transmitting money, SKRILL consented to the issuance of an Order to Cease and Desist (the "ORDER") by the DEPARTMENT .

The DEPARTMENT considered this matter and determined that it had reason to believe that SKRILL engaged in unsafe and unsound practices in conducting the business of transmitting money. The DEPARTMENT, therefore, accepts the CONSENT AGREEMENT and issues the following:

IT IS HEREBY ORDERED that SKRILL, its successors and assigns, cease and desist from the following unsafe or unsound practices in conducting the business of transmitting money:

- A. Operating without a continuous qualified management team in the United States.
- B. Operating without being able to produce its own accounting records including a general ledger and internal financial statements.
- C. Operating with anti-money laundering monitoring weaknesses caused by the lack of an automated transaction monitoring system.

IT IS FURTHER ORDERED that SKRILL and its successors and assigns take affirmative action as follows:

1. No later than March 31, 2013, SKRILL shall appoint directors sufficient in number to complete its Board of Directors, which shall consist of a minimum of

three individuals. A majority of the individuals in SKRILL's Board of Directors shall not be associated with its affiliate or related companies.¹

2. Immediately, SKRILL's Board of Directors shall hold meetings no less frequently than monthly.
3. No later than April 30, 2013, SKRILL shall establish an independent lead director. The lead director shall ensure compliance with this ORDER and shall be responsible for reporting on SKRILL's progress with compliance with this ORDER to the DEPARTMENT.²
4. No later than March 31, 2013, SKRILL shall have in place a full management team and senior executive officers.
5. (a) During the life of this ORDER, SKRILL shall have and retain qualified management. Management shall be provided the necessary written authority to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:
 - (i) Comply with the requirements of this ORDER;
 - (ii) Operate SKRILL in a safe and sound manner; and
 - (iii) Comply with applicable laws, rules, and regulations.
- (b) During the life of this ORDER, prior to the addition of any individual to the Board of Directors or the employment of any individual as a senior executive officer, SKRILL shall provide the DEPARTMENT with written notice of its intention of this addition or employment. The DEPARTMENT shall have the

¹ For purposes of this paragraph 1, investment management companies and investment vehicles that maintain ownership of SKRILL's affiliates or related companies shall not themselves be deemed "affiliates" or "related companies" hereunder. Furthermore, an individual employee of such an investment company with ownership in a SKRILL affiliate or related company shall be deemed unassociated with SKRILL affiliates or related companies for purposes of this paragraph.

² Those directors and senior executive officers appointed by SKRILL so as to comply with paragraph 1 and 4 herein are subject to subsequent approval by those states where SKRILL is licensed. Any rejection by any state banking department with respect to the proposed director and senior executive officer shall not constitute a violation of either paragraph 1 or 4, as the case may be, so long as SKRILL operated in good faith and in a commercially reasonable manner in selecting such director and senior executive officer.

opportunity to object in writing to the addition or employment prior to such event. For the purposes of this ORDER, "senior executive officer" shall mean Chief Executive Officer, Chief Financial Officer, and Chief Compliance Officer.

6. No later than May 31, 2013, SKRILL shall prepare a three year business plan, including written assumptions to support projected numbers. Such plan should be reviewed and approved by the board of directors and then submitted to the Division for review.
7. No later than March 31, 2013, SKRILL shall operate and maintain a general ledger independent of its affiliates. This general ledger shall be operated and posted in the United States by SKRILL, independent of SKRILL's affiliates, and shall generate SKRILL's financial statement.
8. SKRILL's Chief Financial Officer shall develop accounting policies and procedures which shall be approved by SKRILL's Board of Directors no later than June 30, 2013.
9. No later than March 31, 2013, SKRILL shall complete its revised staffing plan. No later than June 30, 2013, SKRILL shall reevaluate its staffing to ensure that it is adequate to operate safely and soundly. SKRILL shall provide its staffing plan and reevaluation to the DEPARTMENT for its review and comment.
10. SKRILL's Chief Compliance Officer shall reevaluate SKRILL's anti-money laundering risk assessment which shall be approved by SKRILL's Board of Directors no later than March 31, 2013.
11. SKRILL's Chief Compliance Officer shall reevaluate and update SKRILL's anti-money laundering policies and procedures which shall be approved by SKRILL's Board of Directors no later than June 30, 2013.
12. No later than March 31, 2013, SKRILL's Board of Directors shall approve a training program for SKRILL's directors, management, and employees. SKRILL shall report quarterly to the Department the status of the training of SKRILL'S directors, management and employees.
13. No later than June 30, 2013, SKRILL shall put in place a back-up server based in the United States for transactions in the United States and put in place a business continuity plan that discusses what operationally would take place in the exigent

circumstance of the failure of the principal server of SKRILL's parent company or of an affiliate's server affecting a broad geography (e.g., the United Kingdom) and how SKRILL would be able to continue to operate independently from its affiliates in such exigent circumstance.

14. No later than May 31, 2013, SKRILL shall contract with a vendor to develop an automated or transaction monitoring system with business rules for compliance with United States laws and regulations. No later than June 30, 2013, testing of this new system shall start. No later than August 31, 2013, this transaction monitoring system shall be operational. By June 30, 2013, SKRILL shall also provide the Department with a project plan regarding the proposed operation of the transaction monitoring system and provide updates of such project plan as may be reasonably requested by the Department.
15. No later than March 31, 2013, SKRILL shall report to the DEPARTMENT on the status of corrective actions it has taken on all the items identified in the 2012 independent review. Subsequently, SKRILL shall report quarterly, beginning in March 2013, on the status of the corrective actions it has taken or is in the process of taking and has implemented or is in the process of implementing.
16. No later than March 31, 2013, SKRILL shall contract for an independent qualified reviewer to perform a follow up to the independent review that was performed in 2012. Within ten (10) days of engagement, SKRILL shall provide the DEPARTMENT with an engagement letter from the independent reviewer outlining the scope of the engagement. No later than June 30, 2013, the report shall be provided to the DEPARTMENT for its review and comment.

The effective date of this ORDER shall be the date upon which SKRILL is served with this ORDER.

The provisions of this ORDER shall be binding upon SKRILL and any successors and assigns thereof.

The provisions of this ORDER shall be governed by, and interpreted in accordance with, the laws of the Commonwealth of Kentucky, and the court of appropriate jurisdiction and venue for the enforcement of this Order shall be the Franklin Circuit Court.

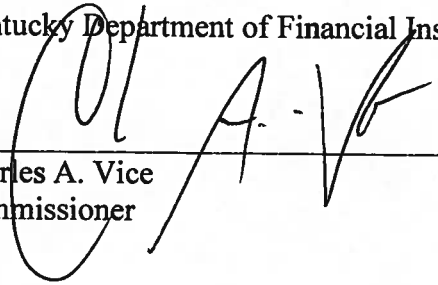
The DEPARTMENT, in its sole discretion, may extend any specified timeframe for compliance of any provision in this ORDER.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the DEPARTMENT.

This ORDER shall not bar, estop, or otherwise prevent the DEPARTMENT or any federal or state agency or department from taking any other action affecting SKRILL.

Dated: 03/07/2013

Kentucky Department of Financial Institutions



Charles A. Vice
Commissioner

IN THE MATTER OF:

**STIPULATION AND CONSENT
TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST**

**SKRILL USA, INC.
61 Broadway, Suite 1603
New York, NY 10006**

Subject to the acceptance of this STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST (“CONSENT AGREEMENT”) by the Kentucky Department of Financial Institutions (the “Department”), it is hereby stipulated and agreed by and among representatives of the Department and Skrill USA, Inc. (“SKRILL”) as follows:

1. SKRILL has been advised of its right, pursuant to KRS 286.11-053, to appeal any order of the Commissioner of the Department based on violations of law or regulation alleged to have been committed by SKRILL and has knowingly waived those rights.
2. SKRILL, solely for the purpose of this proceeding and without admitting or denying any of the charges or violations of law or regulation, hereby consents and agrees to the issuance of an Order to Cease and Desist (“ORDER”) by the Department.
3. SKRILL further stipulates and agrees that such ORDER shall be deemed to be a cease and desist order which has become final and unappealable, and the ORDER shall become effective immediately upon service of the ORDER and fully enforceable by the Department pursuant to KRS Chapter 286.11, subject only to the conditions set forth in paragraph 4 of this CONSENT AGREEMENT.
4. In the event the Department accepts this CONSENT AGREEMENT and issues the ORDER, it is agreed that no action to enforce the ORDER will be taken by the Department in Franklin Circuit Court unless SKRILL has violated or is about to violate any provision of this ORDER. In addition to, or in lieu of an action to enforce the ORDER in Franklin Circuit Court, SKRILL agrees that any violation of this ORDER constitutes grounds for the revocation or suspension of its license to conduct money transmission, and the

Department may institute an administrative action to impose such a sanction. In the event SKRILL contests the administrative action by requesting a hearing, SKRILL agrees that the hearing will be limited to whether the ORDER has been violated and will not contest the propriety of the administrative sanction. SKRILL acknowledges that this CONSENT AGREEMENT and the ORDER shall be governed by, and interpreted in accordance with, Kentucky law, and SKRILL acknowledges that should the Department seek enforcement of the Order in court rather than imposing an administrative sanction, the Franklin Circuit Court has jurisdiction and is the appropriate venue for such enforcement.

5. SKRILL agrees that it will cease and desist from the following unsafe or unsound practices:
 - (a) Operating without a continuous qualified management team in the United States.
 - (b) Operating without being able to produce its own accounting records including a general ledger and internal financial statements.
 - (c) Operating with anti-money laundering monitoring weaknesses caused by the lack of an automated transaction monitoring system.
6. SKRILL agrees that it will take affirmative action as follows:
 - (a) No later than March 31, 2013, SKRILL shall appoint directors sufficient in number to complete its Board of Directors, which shall consist of a minimum of three individuals. A majority of the individuals in SKRILL's Board of Directors shall not be associated with its affiliate or related companies.¹
 - (b) Immediately, SKRILL's Board of Directors shall hold meetings no less frequently than monthly.

¹ For purposes of this paragraph 6(a), investment management companies and investment vehicles that maintain ownership of SKRILL's affiliates or related companies shall not themselves be deemed "affiliates" or "related companies" hereunder. Furthermore, an individual employee of such an investment company with ownership in a SKRILL affiliate or related company shall be deemed unassociated with SKRILL affiliates or related companies for purposes of this paragraph.

- (c) No later than April 30, 2013, SKRILL shall establish an independent lead director. The lead director shall ensure compliance with the ORDER and shall be responsible for reporting on SKRILL's progress with compliance with the ORDER to the Department.²
- (d) No later than March 31, 2013, SKRILL shall have in place a full management team and senior executive officers.
- (e) (i) During the life of the ORDER, SKRILL shall have and retain qualified management. Management shall be provided the necessary written authority to implement the provisions of the ORDER. The qualifications of management shall be assessed on its ability to:
 - (a) Comply with the requirements of the ORDER;
 - (b) Operate Skrill in a safe and sound manner; and
 - (c) Comply with applicable laws, rules, and regulations.(ii) During the life of the ORDER, prior to the addition of any individual to the Board of Directors or the employment of any individual as a senior executive officer, Skrill shall provide the Department with written notice of its intention of this addition or employment. The Department shall have the opportunity to object in writing to the addition or employment prior to such event. For the purposes of the ORDER, "senior executive officer" shall mean Chief Executive Officer, Chief Financial Officer, and Chief Compliance Officer.
- (f) No later than May 31, 2013, SKRILL shall prepare a three year business plan, including written assumptions to support projected

² It being understood by the parties to this Consent Agreement that those directors and senior executive officers appointed by SKRILL so as to comply with paragraph 6(a) and (d) herein are subject to subsequent approval by those states where SKRILL is licensed. Any rejection by any state banking department with respect to the proposed director and senior executive officer shall not constitute a breach of either paragraph 6(a) or (d), as the case may be, so long as SKRILL operated in good faith and in a commercially reasonable manner in selecting such director and senior executive officer.

numbers. Such plan should be reviewed and approved by the board of directors and then submitted to the Division for review.

- (g) No later than March 31, 2013, SKRILL shall operate and maintain a general ledger independent of its affiliates. This general ledger shall be operated and posted in the United States by SKRILL, independent of SKRILL's affiliates, and shall generate SKRILL's financial statement.
- (h) SKRILL's Chief Financial Officer shall develop accounting policies and procedures which shall be approved by Skrill's Board of Directors no later than June 30, 2013.
- (i) No later than March 31, 2013, SKRILL shall complete its staffing plan. No later than June 30, 2013, SKRILL shall reevaluate its staffing to ensure that it is adequate to operate safely and soundly. SKRILL shall provide its staffing plan and reevaluation to the Department for its review and comment.
- (j) SKRILL's Chief Compliance Officer shall reevaluate SKRILL's anti-money laundering risk assessment which shall be approved by SKRILL's Board of Directors no later than March 31, 2013.
- (k) SKRILL's Chief Compliance Officer shall reevaluate and update Skrill's anti-money laundering policies and procedures which shall be approved by Skrill's Board of Directors no later than June 30, 2013.
- (l) No later than March 31, 2013, SKRILL's Board of Directors shall approve a training program for SKRILL's directors, management, and employees. SKRILL shall report quarterly to the Department the status of the training of SKRILL's directors, management and employees.
- (m) No later than June 30, 2013, SKRILL shall put in place a back-up server based in the United States for transactions in the United States and put in place a business continuity plan that discusses what operationally would take place in the exigent circumstance of the failure of the principal server of SKRILL's parent company or of an

affiliate's server affecting a broad geography (e.g., the United Kingdom) and how SKRILL would be able to continue to operate independently from its affiliates in such exigent circumstance.

(n) No later than May 31, 2013, SKRILL shall contract with a vendor to develop an automated or transaction monitoring system with business rules for compliance with United States laws and regulations. No later than June 30, 2013, testing of this new system shall start. No later than August 31, 2013, this transaction monitoring system shall be operational. By June 30, 2013, SKRILL shall also provide the Department with a project plan regarding the proposed operation of the transaction monitoring system and provide updates of such project plan as may be reasonably requested by the Department.

(o) No later than March 31, 2013, SKRILL shall report to the Department on the status of corrective actions that it has taken on all the items identified in the 2012 independent review. Subsequently, Skrill shall report quarterly beginning in March 2013 on the status of the corrective actions it has taken or is in the process of taking and has implemented or is in the process of implementing.

(p) No later than March 31, 2013, Skrill shall contract for an independent qualified reviewer to perform a follow up to the independent review that was performed in 2012. Within ten (10) days of engagement, SKRILL shall provide the Department with an engagement letter from the independent reviewer outlining the scope of the engagement. No later than June 30, 2013, the report shall be provided to the Department for its review and comment.

7. SKRILL hereby waives:

- (a) The receipt of a notice of any charges;
- (b) All defenses and counterclaims of any kind to this proceeding;
- (c) A hearing for the purpose of taking evidence on the allegations in the notice;
- (d) The filing of proposed filings of fact and conclusions of law;

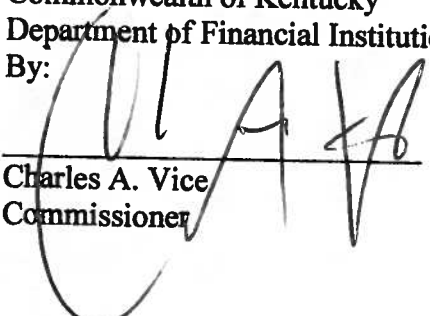
- (e) A recommended decision of an Administrative Hearing Officer; and
- (f) Exceptions and briefs with respect to such recommended decision.

8. This CONSENT AGREEMENT shall, pursuant to KRS 286.11-049, be considered an administrative action and a public record that may be released to appropriate organizations, data banks, and governmental bodies, or released to the general public.

Dated this 7th day of March, 2013.

Commonwealth of Kentucky
Department of Financial Institutions


By:



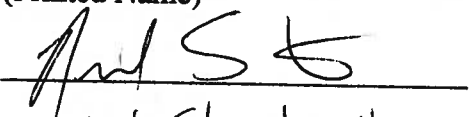
Charles A. Vice
Commissioner

Skrill USA, Inc.

By:



Anand Radhakrishnan (Director)
(Printed Name)



Neil Stenhardt, CEO
(Printed Name)