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## **FinCEN Fines Ripple Labs Inc. in First Civil Enforcement Action Against a Virtual Currency Exchanger**

### **Company Agrees to \$700,000 Penalty and Remedial Actions**

**Washington, DC** – The Financial Crimes Enforcement Network (FinCEN), working in coordination with the U.S. Attorney's Office for the Northern District of California (USAO-NDCA), assessed a \$700,000 [civil money penalty](#) today against Ripple Labs Inc. and its wholly-owned subsidiary, XRP II, LLC (formerly known as XRP Fund II, LLC). Ripple Labs willfully violated several requirements of the Bank Secrecy Act (BSA) by acting as a money services business (MSB) and selling its virtual currency, known as XRP, without registering with FinCEN, and by failing to implement and maintain an adequate anti-money laundering (AML) program designed to protect its products from use by money launderers or terrorist financiers. XRP II later assumed Ripple Labs' functions of selling virtual currency and acting as an MSB; however, like its parent company, XRP II willfully violated the BSA by failing to implement an effective AML program, and by failing to report suspicious activity related to several financial transactions.

"Virtual currency exchangers must bring products to market that comply with our anti-money laundering laws," said FinCEN Director Jennifer Shasky Calvery. "Innovation is laudable but only as long as it does not unreasonably expose our financial system to tech-smart criminals eager to abuse the latest and most complex products."

FinCEN's assessment is concurrent with the USAO-NDCA's announcement of a [settlement agreement](#) with Ripple Labs and XRP II. In that settlement, the companies resolved possible criminal charges and forfeited \$450,000. The \$450,000 forfeiture in that action will be credited to partially satisfy FinCEN's \$700,000 civil money penalty. A [Statement of Facts and Violations](#), describing the underlying activity and details of the BSA violations, is incorporated into FinCEN's assessment as well as the USAO-NDCA's settlement.

Both actions were accompanied by an [agreement](#) by Ripple and XRP II to engage in remedial steps to ensure future compliance with AML/CFT obligations, as well as enhanced remedial measures. Among these steps are agreements to only transact XRP and “Ripple Trade” activity through a registered MSB; to implement and maintain an effective AML program; to comply with the Funds Transfer and Funds Travel Rules; to conduct a three-year “look-back” to require suspicious activity reporting for prior suspicious transactions; and a requirement for the companies to retain external independent auditors to review their compliance with the BSA every two years up to and including 2020. Pursuant to the agreement, Ripple Labs will also undertake certain enhancements to the Ripple Protocol to appropriately monitor all future transactions.

“By these agreements, we demonstrate again that we will remain vigilant to ensure the security of, and prevent the misuse of, the financial markets,” said U.S. Attorney Melinda Haag. “Ripple Labs Inc. and its wholly-owned subsidiary both have acknowledged that digital currency providers have an obligation not only to refrain from illegal activity, but also to ensure they are not profiting by creating products that allow would-be criminals to avoid detection. We hope that this sets an industry standard in the important new space of digital currency.”

“Federal laws that regulate the reporting of financial transactions are in place to detect and stop illegal activities, including those in the virtual currency arena,” said Richard Weber, Chief, IRS Criminal Investigation. “Unregulated, virtual currency opens the door for criminals to anonymously conduct illegal activities online, eroding our financial systems and creating a Wild West environment where following the law is a choice rather than a requirement.”

Ripple Labs Inc., headquartered in San Francisco, CA, facilitated transfers of virtual currency and provided virtual currency exchange transaction services. XRP II, LLC is a wholly-owned subsidiary of Ripple Labs that was incorporated as XRP Fund II, LLC in South Carolina on July 1, 2013; the company changed its name to XRP II in July 2014. As of 2015, Ripple is the second-largest cryptocurrency by market capitalization, after Bitcoin. On March 18, 2013, FinCEN released [guidance](#) clarifying the applicability of regulations implementing the BSA, and the requirement for certain participants in the virtual currency arena—namely, virtual currency exchangers and administrators—to register as MSBs with FinCEN pursuant to federal law.

Director Shasky Calvery expressed her appreciation to the U.S. Attorney’s Office for the Northern District of California and to the Internal Revenue Service-Criminal Investigation Division for their contributions to the investigation and strong partnership with FinCEN.

FinCEN seeks to protect the U.S. financial system from being exploited by illicit activity. Its efforts are focused on compromised financial institutions and their employees; significant fraud; third-party money launderers; transnational organized crime and security threats; and cyber threats. FinCEN has a broad array of enforcement authorities to target both domestic and foreign actions affecting the U.S. financial system.

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*FinCEN’s mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.*