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**MEMORANDUM**

May 6, 2015

To Our Clients and Friends

Re: FinCEN Enforcement Against Seller of Virtual Currency

The Financial Crimes Enforcement Network (“FinCEN”), working with the U.S. Attorney’s Office for the Northern District of California, assessed a \$700,000 civil money penalty against Ripple Labs Inc. and its subsidiary XRP II, LLC for willfully violating the Bank Secrecy Act (“BSA”) by acting as a money services business and selling its virtual currency, XRP, without registering with FinCEN, and failing to implement and maintain an adequate anti-money laundering (“AML”) program. FinCEN stated that XRP II also failed to report suspicious activity related to certain financial transactions. The companies further agreed to forfeit \$450,000 in connection with a settlement agreement with the U.S. Attorney’s Office, which agreed not to criminally prosecute the companies.

FinCEN stated that Ripple, acting as an exchanger of virtual currency by facilitating transfers and providing virtual currency exchange transaction services, was required to register with FinCEN and establish and maintain an AML program to ensure compliance with the BSA and anti-money laundering laws. The companies are required to remedy deficiencies identified by FinCEN, undergo external audits through 2020, and increase transaction monitoring as well as review previous activity.

FinCEN’s announcement and accompanying material can be found on our website at <http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, Heidi Wicker, or Ben Gray at (202) 776-0700.