



NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
ONE STATE STREET
NEW YORK, NEW YORK 10004

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In the Matter of :

PAYONEER INC. :

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CONSENT ORDER

The New York State Department of Financial Services (the “Department” or “DFS”) and Payoneer Inc. (“Payoneer” or the “Company”) are willing to resolve the matters described herein without further proceedings.

WHEREAS, Payoneer is a financial institution wholly owned by Payoneer Global Inc., a publicly traded company, holding approximately \$5.5 billion in customer funds as of June 30, 2023;

WHEREAS, Payoneer is licensed by the Department to operate a money transmission business in New York State;

WHEREAS, an investigation conducted by the Department revealed that Payoneer processed payments in violation of sanctions imposed by the United States Treasury Department's Office of Foreign Assets Control ("OFAC");

WHEREAS, companies licensed by the Department are under an obligation to maintain an effective OFAC compliance program; and

WHEREAS, Payoneer has fully cooperated with the Department's investigation and has voluntarily undertaken remediation to prevent similar sanctions violations from recurring.

NOW THEREFORE, in connection with an agreement to resolve this matter without further proceedings, the Department finds as follows:

THE DEPARTMENT'S FINDINGS

Introduction

1. OFAC administers and enforces economic and trade sanctions based on United States foreign policy and national security goals against targeted foreign countries and regimes. As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, sanctioned countries and regimes. Such individuals and companies, along with other individuals, groups, and entities sanctioned for non-country specific reasons, are called "Specially Designated Nationals" ("SDNs"). Financial institutions operating in the United States, including those licensed by the Department, are required to refrain from conducting business with individuals identified as SDNs. Institutions are additionally required to monitor for and prevent transactions that violate the guidelines described above by maintaining a risk-based OFAC compliance program.

2. As detailed below, Payoneer processed transactions, both in its capacity as a money transmitter and as the program manager of pre-paid cards, to sanctioned countries and regions and sanctioned individuals on the SDN List, in apparent violation of OFAC guidelines.

Events at Issue

3. Payoneer operates an electronic platform by which it facilitates cross-border payout services, primarily for e-commerce marketplace customers. Payoneer allows its customers who sell goods and services to request and receive cross-border commercial payments and to make payments to suppliers and third parties, in multiple currencies. It provides these services to more than two million customers across more than 190 countries and territories.

4. To facilitate these cross-border commercial payments while also complying with sanctions laws and regulations, companies such as Payoneer must employ sanctions screening programs. When operating properly, these screening programs should allow for continuous monitoring that enables companies to detect and prevent transactions involving sanctioned entities, regimes, and individuals on the SDN List.

5. In February 2016, Earthport, a cross-border payments service provider, notified the Company that Payoneer had processed a payment to a bank in the Crimea region of Ukraine, which is prohibited under U.S. sanctions applicable to that region. Shortly thereafter, Payoneer made a Voluntary Self-Disclosure to OFAC and took remedial actions to correct technical problems in its OFAC compliance system. These remedial actions included temporarily suspending bank transfers to Russia (the Company had discovered additional transactions to Crimea) and updating the Company's OFAC screening tool.

6. As part of its voluntary remediation, Payoneer engaged outside consultants to conduct an audit and voluntary "lookback" of all transactions that had occurred during the

preceding five years. Payoneer subsequently conducted an in-house lookback of its transactions for the period of February 1, 2011, through August 18, 2016. Following this voluntary lookback, which was completed in February 2018, Payoneer furnished information that the Company had processed 2,220 commercial transactions from 2013 through 2018 in apparent violation of multiple OFAC sanctions programs. While these transactions made up less than 1% of Payoneer's total transaction volume, they enabled individuals in sanctioned countries and regions, such as Iran, Sudan, and Syria, as well as individuals on the SDN List, to engage in \$793,950.70 worth of transactions.

7. Although Payoneer had policies and procedures in place that prohibited transactions involving parties in sanctioned locations, the Company's sanctions compliance program failed to prevent these transactions. These compliance control breakdowns included (a) weak algorithms that allowed close matches to SDN List entries to evade Payoneer's sanctions filter, (b) failure to screen for Business Identifier Codes¹ even when SDN List entries contained them, and (c) allowing flagged and pending payments to be automatically released without review during backlog periods. Additionally, the Company's compliance program lacked a focus on sanctioned locations, including Crimea, such that IP addresses and mailing addresses in these locations were not properly flagged.

8. In light of these compliance deficiencies, enforcement action is warranted, including a monetary penalty.

Cooperation and Remediation

9. The Department has given substantial weight to the cooperation of Payoneer. Additionally, the Department recognizes Payoneer's efforts to improve and strengthen its OFAC

¹ A Business Identifier Code is a standardized code used to identify a financial institution and its location.

compliance program, including the migration of its sanctions screening tool to a customized platform that allows for improved screening, a significant increase in resources dedicated to sanctions compliance, and enhanced training for employees who undertake sanctions-related processes and tasks.

Violations of Law and Regulations

10. Payoneer conducted business in an unsafe and unsound manner, in violation of New York Banking Law § 44.

11. Payoneer failed to maintain an effective OFAC compliance program, in violation of 3 N.Y.C.R.R. § 417.2(c).

NOW THEREFORE, to resolve this matter without further proceedings, the Department and the Company stipulate and agree to the following terms and conditions:

SETTLEMENT PROVISIONS

Monetary Penalty

12. No later than ten (10) days after the Effective Date (as defined below) of this Consent Order, the Company shall pay a total civil monetary penalty pursuant to New York Banking Law § 44 to the Department in the amount of one million and two hundred and fifty thousand dollars (\$1,250,000) and 00/100 Cents. The payment shall be in the form of a wire transfer in accordance with instructions provided by the Department.

13. The Company shall not claim, assert, or apply for a tax deduction or tax credit with regard to any U.S. federal, state, or local tax, directly or indirectly, for any portion of the civil monetary penalty paid pursuant to this Consent Order.

14. The Company shall neither seek nor accept, directly or indirectly, reimbursement or indemnification with respect to payment of the penalty amount, including but not limited to, payment made pursuant to any insurance policy.

Full and Complete Cooperation

15. The Company commits and agrees that it will fully cooperate with the Department regarding all terms of this Consent Order.

Further Action by the Department

16. No further action will be taken by the Department against the Company or its successors for the conduct set forth in this Consent Order, or in connection with the remediation set forth in this Consent Order, provided that the Company fully complies with the terms of the Consent Order.

17. Notwithstanding any other provision in this Consent Order, however, the Department may undertake additional action against the Company for transactions or conduct that were not disclosed in the written materials submitted to the Department in connection with this matter.

Waiver of Rights

18. The Company submits to the authority of the Superintendent to effectuate this Consent Order.

19. The parties understand and agree that no provision of this Consent Order is subject to review in any court, tribunal, or agency outside of the Department.

Parties Bound by the Consent Order

20. This Consent Order is binding on the Department and the Company, as well as any successors and assigns. This Consent Order does not bind any federal or other state agency or any law enforcement authority.

Breach of Consent Order

21. In the event that the Department believes the Company to be in material breach of the Consent Order, the Department will provide written notice to the Company, and the Company must, within ten (10) days of receiving such notice, or on a later date if so determined in the Department's sole discretion, appear before the Department to demonstrate that no material breach has occurred or, to the extent pertinent, that the breach is not material or has been cured.

22. The Company understands and agrees that its failure to make the required showing within the designated time period shall be presumptive evidence of the Company's breach. Upon a finding that a breach of this Consent Order has occurred, the Department has all the remedies available to it under the New York Banking Law and any other applicable laws and may use any evidence available to the Department in any ensuing hearings, notices, or orders.

Notices

23. All notices or communications regarding this Consent Order shall be sent to:

For the Department:

Justin D. Parnes
Assistant Deputy Superintendent
Consumer Protection and Financial Enforcement
New York State Department of Financial Services
One State Street
New York, NY 10004

For Payoneer Inc.:

Laurel Loomis Rimon
Jenner & Block LLP
1099 New York Avenue, NW
Suite 900
Washington, DC 20001

Sara K. Weed
Gibson, Dunn & Crutcher LLP
1050 Connecticut Avenue, NW
Washington, DC 20036

Miscellaneous

24. This Consent Order and any dispute thereunder shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.

25. This Consent Order may not be altered, modified, or changed unless in writing and signed by the parties hereto.

26. This Consent Order constitutes the entire agreement between the Department and the Company and supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Consent Order.

27. Each provision of this Consent Order shall remain effective and enforceable against the Company, its successors, and assigns, until stayed, modified, suspended, or terminated by the Department.

28. In the event that one or more provisions contained in this Consent Order shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Consent Order.

29. No promise, assurance, representation, or understanding other than those contained in this Consent Order has been made to induce any party to agree to the provisions of this Consent Order.

30. Nothing in this Consent Order shall be construed to prevent any consumer or any other third party from pursuing any right or remedy at law.

31. This Consent Order may be executed in one or more counterparts and shall become effective when such counterparts have been signed by each of the parties hereto (the “Effective Date”).

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IN WITNESS WHEREOF, the parties have caused this Consent Order to be signed on the dates set forth below.

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

PAYONEER, INC.

By: /s/ Kathryn A. Taylor
KATHRYN A. TAYLOR
Senior Assistant Deputy Superintendent
Consumer Protection and Financial
Enforcement

November 2, 2023

By: /s/ John Caplan
JOHN CAPLAN
Chief Executive Officer
Payoneer Inc.

November 1, 2023

By: /s/ Alison L. Passer
ALISON L. PASSER
Deputy Director
Consumer Protection and Financial
Enforcement

November 2, 2023

By: /s/ Bea Ordonez
BEA ORDONEZ
Chief Financial Officer
Payoneer Inc.

November 1, 2023

By: /s/ Kevin R. Puvalowski
KEVIN R. PUVALOWSKI
Acting Executive Deputy Superintendent
Consumer Protection and Financial
Enforcement

November 2, 2023

THE FOREGOING IS HEREBY APPROVED. IT IS SO ORDERED.

/s/ Adrienne A. Harris
ADRIENNE A. HARRIS
Superintendent of Financial Services

November 2, 2023