

DIVISION OF FINANCIAL INSTITUTIONS
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII

In the Matter of)	DFI- 2024-0001
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)	
SIGUE CORPORATION)	NOTICE OF CHARGES AND
HIMT047)	CEASE AND DESIST ORDER
)	
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**NOTICE OF CHARGES AND
CEASE AND DESIST ORDER**

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DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS
STATE OF HAWAII
335 Merchant Street, Room 221
Honolulu, Hawaii 96813

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**NOTICE OF CHARGES AND
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TO: Ms. Cathe Casillas
VP, Governance Officer
Sigue Corporation
13190 Telfair Avenue
Sylmar, California 91342

NOTICE IS HEREBY GIVEN that the Commissioner of Financial Institutions (“Commissioner”) believes that there is sufficient cause upon which to impose a Cease and Desist Order (“Order”) upon Sigue Corporation (the “Company”), based upon the Company’s violation of Chapter 489D, Hawaii Revised Statutes (“HRS”).

This Notice of Charges and the Commissioner’s Cease and Desist Order are based upon the following facts:

1. On June 18, 2009, the Company was issued Hawaii Money Transmitter (“MT”) License HIMT047.
2. The Company has, at all times relevant to this Notice of Charges, conducted business as a MT in the State of Hawaii.
3. On or about February 27, 2024, the Company’s bond company, Platte River Insurance Company, notified the Division of Financial Institutions (“DFI”) that the Company’s bond is cancelled effective March 29, 2024.
4. On February 27, 2024, the Company submitted a letter to DFI informing DFI that the Company is surrendering its Hawaii MT license effective immediately.
5. On February 27, 2024, DFI responded to the Company informing the Company representative to submit a surrender request through the Nationwide Multistate Licensing System (“NMLS”) and submit a completed surrender checklist to DFI. DFI also informed the Company that the Company’s surrender will not be effective until all required surrender requirements have been met.
6. On February 29, 2024, the Company submitted an MT license surrender request through NMLS; however, it did not submit a completed surrender checklist to DFI.
7. On March 12, 2024, DFI participated in a conference call with other state MT regulatory agencies, the Company’s executive management team, and the Company’s external counsel. During the call, the Company admitted to the following:
 - The Company identified a permissible investment deficiency in 2023 and attempted to sell assets to cure the deficiency but was unable to.

- In the middle of January 2024, the Company's owner made a personal capital contribution.
 - In late January 2024, the Company decided to discontinue accepting consumer transaction requests.
 - In February 2024, the Company's Board of Directors decided to surrender its licenses.
 - External counsel stated that the Company does not have sufficient cash to pay outstanding MT transactions.
 - External counsel stated that consumer funds were used to pay the Company's operating expenses.
8. As of third quarter 2023, the Company conducted approximately 16,000 transactions for a total in excess of \$9 million, on an annualized basis.

APPLICABLE LAWS AND RULES

HRS [§489D-3] License required. (a) On or after July 1, 2007, no person except those excluded pursuant to section 489D-5, shall engage in the business of money transmission without a license as provided in this chapter.

(b) A person is engaged in providing money transmission if the person provides those services to persons in the State, even if the person providing services has no physical presence in the State.

(c) If a licensee has a physical presence in the State, the licensee may conduct its business at one or more locations, directly or indirectly owned, or through one or more authorized delegates, or both, pursuant to the single license granted to the licensee.

HRS §489D-4 Definitions.

"Authorized delegate" means an entity designated by the licensee under this chapter to sell or issue payment instruments or engage in the business of transmitting money on behalf of a licensee.

"Money transmission" means to engage in the business of:

- (1) Selling or issuing payment instruments in the State;
- (2) Selling or issuing stored value to a person located in the State; or
- (3) Receiving money or monetary value for transmission from a person located in the State.

"Permissible investments" means:

- (1) Cash;
- (2) Certificates of deposit or other debt obligations of a financial institution, either domestic or foreign;
- (3) Bills of exchange or time drafts drawn on and accepted by a commercial bank, known as bankers' acceptances, that are eligible for purchase by member banks of the Federal Reserve System;
- (4) Any investment bearing a rating of one of the three highest grades as defined by a nationally recognized organization that rates securities;
- (5) Investment securities that are obligations of the United States, its agencies, or its instrumentalities, obligations that are guaranteed fully as to principal and interest by the United States, or any obligations of any state, municipality, or any political subdivision thereof;

(6) Shares in a money market mutual fund, interest-bearing bills, notes, or bonds, debentures or stock traded on any national securities exchange or on a national over-the-counter market, mutual funds primarily composed of these securities, or a fund composed of one or more permissible investments as set forth in paragraphs (1) to (5);

(7) Any demand borrowing agreement or agreements made with a corporation or a subsidiary of a corporation whose capital stock is listed on a national exchange;

(8) Receivables that are due to a licensee from its authorized delegates pursuant to a contract under section 489D-21, that are not past due or doubtful of collection; or

(9) Any other investments or security device approved by the commissioner.

HRS §489D-7 Bond or other security device. (a) Each application for a license shall be accompanied by a surety bond, irrevocable letter of credit, or other similar security device acceptable to the commissioner in the amount of \$100,000 for the initial twelve months of licensure. Thereafter, each licensee shall maintain a bond in the amount required by this subsection unless otherwise required by the commissioner. The commissioner may increase the amount of the bond or security device to a maximum of \$500,000 upon the basis of the impaired financial condition of a licensee, as evidenced by a reduction in tangible net worth, financial losses, or other relevant criteria.

(b) The security device shall be in a form satisfactory to the commissioner and shall run to the State for the benefit of any claimants against the licensee to secure the faithful performance of the obligations of the licensee relating to the receipt, handling, transmission, and payment of money or monetary value in connection with money transmissions. In the case of a bond, the aggregate liability of the surety shall not exceed the principal sum of the bond.

Claimants against the licensee may bring suit directly on the security device or the commissioner may bring suit on behalf of claimants, either in one action or in successive actions.

HRS §489D-8 Permissible investments and statutory trust. (a) A licensee, at all times, shall possess permissible investments having an aggregate market value, calculated in accordance with generally accepted accounting principles, of no less than the aggregate amount of all outstanding money transmission obligations. This requirement may be waived by the commissioner if the dollar volume of a licensee's outstanding money transmission obligations does not exceed the bond or other security devices posted by the licensee pursuant to section 489D-7.

(b) Permissible investments, even if commingled with other assets of the licensee, shall be held in trust for the benefit of the purchasers and holders of the licensee's outstanding money transmission obligations in the event of insolvency; the filing of a petition by or against the licensee under the United States Bankruptcy Code, title 11 United States Code section 101-110, as may be amended or recodified, for bankruptcy or reorganization; the filing of a petition by or against the licensee for receivership; the commencement of any other judicial or administrative proceeding for its dissolution or reorganization; or in the event of an action by a creditor against the licensee who is not a beneficiary of this statutory trust. No permissible investments impressed with a trust pursuant to this section shall be subject to attachment, levy of execution, or sequestration by order of any court, except for a beneficiary of a statutory trust established pursuant to this subsection.

(c) Upon the establishment of a statutory trust in accordance with subsection (b) or when any funds are drawn on a letter of credit pursuant to section 489D-7(a), the licensee or applicant shall notify the commissioner of the establishment of the trust or the funds drawn on

the letter of credit, as applicable. Notice shall be deemed satisfied if performed pursuant to a multistate agreement or through NMLS. Funds drawn on a letter of credit, and any other permissible investments held in trust for the benefit of the purchasers and holders of the licensee's outstanding money transmission obligations, shall be deemed held in trust for the benefit of the purchasers and holders on a pro rata and equitable basis in accordance with statutes pursuant to which permissible investments are required to be held in the State, and other states, as applicable. Any statutory trust established pursuant to this subsection shall be terminated upon extinguishment of all of the licensee's outstanding money transmission obligations.

(d) The commissioner, by rule or by order, may allow other types of investments that the commissioner determines are of sufficient liquidity and quality to be a permissible investment. The commissioner may participate in efforts with other state regulators to determine that other types of investments are of sufficient liquidity and quality to be a permissible investment.

HRS §489D-22 Authorized delegate; conduct. (e) An authorized delegate is under a duty to act only as authorized under the contract with the licensee. An authorized delegate that exceeds its authority is subject to cancellation of the delegate's contract and further disciplinary action by the commissioner.

HRS §489D-22.5 Voluntary surrender of license. (a) A licensee may voluntarily cease business and surrender its license by giving written notice to the commissioner of its intent to surrender its license. Prior to the surrender date of a license, the licensee shall have either completed all pending money transmissions or assigned each to another licensee.

(b) Notice pursuant to this section shall be provided at least thirty days before the surrender of the license and shall include:

- (1) The date of surrender;
- (2) The name, address, telephone number, facsimile number, and electronic address of a contact individual with knowledge and authority sufficient to communicate with the commissioner regarding all matters relating to the licensee during the period that it was licensed pursuant to this chapter;
- (3) The reason or reasons for surrender;
- (4) Total dollar amount of the licensee's outstanding money transmission obligations sold in Hawaii and the individual amounts of each outstanding money transmission obligation, and the name, address, and contact phone number of the licensee to which each outstanding money transmission obligation was assigned;
- (5) A list of the licensee's Hawaii authorized delegates, if any, as of the date of surrender; and
- (6) Confirmation that the licensee has notified each of its Hawaii authorized delegates, if any, that they may no longer conduct money transmissions on the licensee's behalf.

Voluntary surrender of a license shall be effective upon the date of surrender specified on the written notice to the commissioner as required by this section; provided that the licensee has met all the requirements of voluntary surrender and has returned the original license issued.

HRS [§489D-26] Orders to cease and desist. (a) If the commissioner determines a violation of this chapter or a rule adopted or an order issued under this chapter by a licensee or authorized delegate is:

(1) Likely to cause immediate and irreparable harm to the licensee, the licensee's customers, or the public as a result of the violation; or

(2) Cause insolvency or significant dissipation of assets of the licensee, the commissioner may issue an order requiring the licensee or authorized delegate to cease and desist from the violation. The order becomes effective upon service of the order upon the licensee or authorized delegate.

(c) An order to cease and desist remains effective and enforceable pending the completion of an administrative proceeding pursuant to chapter 91.

(d) A licensee or an authorized delegate that is served with an order to cease and desist may petition the circuit court for a judicial order setting aside, limiting, or suspending the enforcement, operation, or effectiveness of the order pending the completion of an administrative proceeding pursuant to section 489D-31 or 489D-32.

(e) The commissioner shall commence an administrative proceeding pursuant to chapter 91 within twenty days after issuing an order to cease and desist.

(f) The commissioner may apply to the circuit court for an appropriate order to protect the public interest.

CONCLUSION

Therefore, based on the foregoing, the Commissioner concludes as follows:

- A. There is sufficient cause to believe that the Company failed to maintain adequate permissible investments in accordance with Section 489D-8, HRS.
- B. There is sufficient cause to believe the Company does not have the financial capability to pay any outstanding MT transactions.

- C. There is sufficient cause to believe that the Company failed to provide timely notice of its intent to surrender its MT license, and to provide to DFI the required information to surrender its license in accordance with Section 489D-22.5, HRS.
- D. There is sufficient cause to impose an immediate Cease and Desist Order upon the Company in accordance with Section 489D-26, HRS.

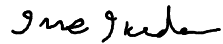
IT IS HEREBY ORDERED:

- 1. That Sigue Corporation cease and desist from engaging in the business of money transmission;
- 2. That Sigue Corporation cease from accepting money or monetary value for transmission;
- 3. That Sigue Corporation notify its Hawaii authorized delegate in writing that it has been ordered to cease and desist in engaging in the business of money transmission;
- 4. That Sigue Corporation cooperate with DFI to determine if any Hawaii consumers have been affected;
- 5. That Sigue Corporation comply with the record retention requirements of Section 489-18, HRS, and 31 CFR Parts 1000-1099;
- 6. That this Notice of Charges be issued;
- 7. That Sigue Corporation may request a hearing in accordance with Chapter 91, HRS, within 30 calendar days of the receipt of this Notice of Charges and Cease and Desist Order.
- 8. That these proceedings and any orders issued pursuant to these proceedings are without prejudice to the Commissioner's right to pursue any and all regulatory

actions against the Company for any and all violations of Chapter 489D, HRS, that may be found against the Company.

9. That should Sigue Corporation fail to request a hearing within 30 calendar days of the receipt of this Notice of Charges and Cease and Desist Order, then Sigue Corporation shall be deemed to have consented to the issuance of the Order.

DATED: Honolulu, Hawaii, March 15, 2024



IRIS IKEDA
COMMISSIONER OF FINANCIAL INSTITUTIONS
DIVISION OF FINANCIAL INSTITUTIONS
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII