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BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION
OF THE STATE OF CALIFORNIA

In the Matter of:)	1) DESIST AND REFRAIN ORDER
)	2) CLAIM FOR ANCILLARY RELIEF
COMMISSIONER OF FINANCIAL)	3) NOTICE OF INTENT TO ISSUE AN
PROTECTION AND INNOVATION)	ORDER ASSESSING PENALTIES
)	(Cal. Fin. Code 90003(a)(1) and (2),
Complainant,)	90012(b)(3), 90015(c))
v.)	
)	
ANH MANAGEMENT LLC dba HERMES)	
BITCOIN)	
)	
Respondent.)	

1 The Complainant, the Commissioner of Financial Protection and Innovation (Commissioner),
2 is informed and believes, and based upon such information and belief, alleges and charges as follows:

3 **I.**

4 **Introduction**

5 1. The Commissioner has jurisdiction over the regulation of persons engaged in offering
6 or providing a consumer financial product or service in California and affiliated service providers
7 under the California Consumer Financial Protection Law (CCFPL) (Cal. Fin. Code § 90000 et seq.).

8 2. The Commissioner is responsible for administering the Digital Financial Assets Law
9 (Cal. Fin. Code § 3101, et seq.) (DFAL) and has jurisdiction over the licensing and regulation of
10 persons who engage in digital financial asset business activity with, or on behalf of, California
11 residents. (*See* Cal. Fin. Code, §§ 3201 & 3413.)

12 3. Respondent Anh Management, LLC dba Hermes Bitcoin (Hermes or Respondent) is a
13 limited liability company of unknown registration and domicile.

14 4. Hermes operates digital financial asset transaction kiosks, also known as “Bitcoin
15 ATMs,” in California. These kiosks allow consumers to buy and sell digital financial assets such as
16 Bitcoin by using cash inserted directly into the kiosk machine. (Cal. Fin. Code, § 3901(b)(1).)

17 5. According to its website, www.hermesbitcoin.com:

18 Hermes Bitcoin is Southern California’s premier Bitcoin ATM
19 company. We provide a safe, speedy, and convenient way to purchase a
20 variety of cryptocurrencies. Our Bitcoin ATMs allow Californians to
21 convert cash into crypto, without the need for a bank account or credit
22 card. You can currently find our Bitcoin ATMs around Los Angeles
and the rest of Southern California, and we are always adding new
locations!

23 6. Hermes also published instructions on its website on “HOW TO BUY BITCOIN
24 ANONYMOUSLY IN THE SAFEST WAY POSSIBLE.”

25 7. There are significant risks to consumers when using kiosks. Digital financial asset
26 transactions are typically instantaneous and irreversible, and kiosk operators may implement poor or
27 minimal compliance screening or identity verification. These transactions do not include financial
28 intermediaries such as banks, credit unions, or licensed money transmitters; instead, they occur

1 directly between the individual consumer and the kiosk operator. Additionally, kiosks often charge
2 substantial markups – sometimes up to 40% higher than other sources of digital financial assets.

3 8. As a result of these risks, kiosks have become a frequent vehicle for scams, in which
4 the fraudsters deceive victims into using cash to purchase digital financial assets at a kiosk, which are
5 subsequently transferred to or misappropriated by the scammer.

6 9. To mitigate these risks, the DFAL was passed in 2023. The law contains provisions
7 that require kiosk operators to implement safeguards and disclosures to protect their customers from
8 fraudulent activity.

9 II.

10 Legal Background

11 *The CCFPL*

12 10. Under the CCFPL, it is unlawful for a covered person or service provider to “[e]ngage,
13 have engaged, or propose to engage in any unlawful, unfair, deceptive, or abusive act or practice with
14 respect to consumer financial products or services.” Cal. Fin. Code § 90003(a)(1).

15 11. Under the CCFPL, it is also unlawful for a covered person or service provider to
16 “offer or provide to a consumer any financial product or service not in conformity with any consumer
17 financial law or otherwise commit any act or omission in violation of a consumer financial law.” Cal.
18 Fin. Code § 90003(a)(2).

19 12. “Consumer financial law” is defined as “a federal or California law that directly and
20 specifically regulates the manner, content, or terms and conditions of any financial transaction, or any
21 account, product or service related thereto, with respect to a consumer.” Cal. Fin. Code § 90005(d).

22 13. The DFAL is a consumer financial law within the meaning of Financial Code section
23 90003(a)(2).

24 14. Under the CCFPL, a “covered person” is defined as “[a]ny person that engages in
25 offering or providing a consumer financial product or service to a resident of this state.” Cal. Fin.
26 Code § 90005(f)(1).

1 15. A “consumer financial product or service” is generally a “financial product or service
2 that is delivered, offered, or provided for use by consumers primarily for personal, family, or
3 household purposes.” Cal. Fin. Code § 90005(e)(1).

4 16. “Financial product or service” includes, among other things, “[e]ngaging in deposit-
5 taking activities, transmitting or exchanging funds, or otherwise acting as a custodian of funds or any
6 financial instrument for use by or on behalf of a consumer. Cal. Fin. Code § 90005(k)(4). It also
7 includes [s]elling, providing, or issuing stored value or payment instruments. Cal. Fin. Code §
8 90005(k)(5).

9 17. Under Financial Code section 90015(d), if, in the opinion of the Commissioner, any
10 person engages, has engaged, or proposes to engage in any activity prohibited by sections 90003 or
11 90004, the Commissioner “may issue an order directing the person to desist and refrain from
12 engaging in the activity, act, practice, or course of business.”

13 18. In any administrative action under Financial Code section 90015, the Commissioner
14 may include a claim for ancillary relief as provided in section 90012(b). Cal. Fin. Code § 90015(e).
15 Relief may include, but is not limited to, “[r]estitution,” and “[m]onetary penalties.” Cal. Fin. Code §
16 90012(b)(3) and (8)

17 19. Under Financial Code section 90012(c), in any administrative action brought pursuant
18 to the CCFPL, any person that violates, through any act or omission, any provision of the CCFPL
19 shall forfeit and pay a penalty not exceeding the greater of either \$5,000 for each day during which
20 the violation or failure to pay continues, or \$2,500 for each act or omission in violation of the
21 CCFPL. Cal. Fin. Code § 90012 (c)(1)(A)(i).

22 ***The Digital Financial Assets Law (DFAL)***

23 20. DFAL section 3902 provides that “[a]n operator shall not accept or dispense more than
24 one thousand dollars (\$1,000) in a day from or to a customer via a digital financial asset transaction
25 kiosk.”

26 21. DFAL section 3904 provides that “[o]n or after January 1, 2025, an operator shall not
27 collect charges, whether direct or indirect, from a customer related to a single digital financial asset
28 transaction that exceed the greater of the following:

- (a) Five dollars (\$5).
- (b) Fifteen percent of the United States dollar equivalent of digital financial assets involved in the transaction according to the publicly quoted market price of the digital asset on a licensed digital financial asset exchange at the time the customer initiates the transaction.”

22. DFAL Section 3905, subdivision (a) provides:

- (1) On or after January 1, 2025, before a digital financial asset transaction, an operator shall provide a written disclosure in English and in the same language principally used by the operator to advertise, solicit, or negotiate with a customer containing the terms and conditions of the transaction, which shall include, at a minimum, all of the following:
 - (A) The amount of a digital financial asset involved in the transaction.
 - (B) The amount, in United States dollars, of any fees, expenses, and charges collected by the operator.
 - (C) The United States dollar price of the digital financial asset that is charged to the customer and the United States dollar price of the digital financial asset as listed by a licensed digital financial asset exchange.
 - (D) If an operator does not provide a method to reverse or refund a transaction, a warning that all transactions are final and cannot be undone.
- (2) The disclosure required by this subdivision shall be clear and conspicuous and provided separately from any other disclosure provided by the operator.

23. DFAL section 3905, subdivision (b) provides, in relevant part, that:

An operator shall provide a customer with a receipt for any transaction made at the operator’s digital financial asset transaction kiosk that includes among other things:

- (1) The name of the customer;
[...]
- (7) The amount, in United States dollars, of any spread between the United States dollar price of the digital financial asset that is charged to the customer and the United States dollar price of the digital financial asset as listed by a licensed digital financial asset exchange.
- (8) The name of the licensed digital financial asset exchange the operator used to calculate the spread described in paragraph (7).

24. The DFAL defines “digital financial asset transaction kiosk” to mean “an electronic information processing device that is capable of accepting or dispensing cash in exchange for a digital financial asset.” Cal. Fin. Code § 3901(b)(1).

25. The DFAL defines “operator” to mean “a person who owns, operates, or manages a digital financial asset transaction kiosk located in this state.” Cal. Fin. Code § 3901(d).

BSA/AML Requirements

26. Money services businesses, such as Hermes, are required to comply with all applicable federal laws, rules, and regulations relating to anti-money laundering (“AML”) compliance, including the Bank Secrecy Act (“BSA”) (31 U.S.C. § 5311, et seq.), and the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Ch. X) (collectively, the “BSA/AML Requirements”).

27. Under the BSA/AML Requirements, money services businesses are required to “develop, implement and maintain an effective anti-money laundering program,” including, at minimum “policies, procedures, and internal controls . . . to the extent applicable to the money services business, requirements for [v]erifying customer identification.” 31 C.F.R § 1022.210(a), (d)(1)(i). The anti-money laundering program must also be “commensurate with the risks posed by the location and size of, and the nature and volume of the financial services provided by, the money services business.” 31 C.F.R. § 1022.210(b).

III.**Factual Background**

28. Since January 1, 2024, on at least 29 occasions, Hermes kiosks in California accepted more than \$1,000 from a customer in a single transaction in violation of Financial Code section 3902.

29. Since January 1, 2025, Hermes processed over 3,006 transactions in which it charged California customers more than the allowable fees and charges, in violation of Financial Code 3904.

30. Since January 1, 2025, Hermes processed over 3,006 transactions in which it did not provide California customers any pre-transaction disclosure containing the elements required by Financial Code section 3905(a).

31. Since January 1, 2024, Hermes kiosks in California printed more than 14,120 transaction receipts without including the name of the customer, or of the digital financial asset exchange used by Hermes to determine the spread as required by Financial Code section 3905(b)(1) and (8).

32. Hermes maintains a “Know Your Customer (KYC)/Customer Due Diligence (CDD) Policy” dated 2024 (the “KYC Policy”) which states that “Hermes Bitcoin will not grant any

1 exceptions to its KYC/CDD Policy.” According to the KYC Policy, “Hermes Bitcoin will not
2 execute the customer-requested transaction under the following circumstances: (1) the customer is
3 unable to provide the requisite information.” The KYC Policy further specifies that for “Tier 1
4 Transactions of \$1000 or less Hermes will collect the “Full name” of “any customer that completes
5 an exchange in an amount of \$1000 or less”. According to company documentation, this KYC Policy
6 is designed to “prevent financial services providers from being used, intentionally or unintentionally,
7 by criminal elements for money laundering activities.”

8 33. However, since January 1, 2024, Hermes conducted at least 4,163 California
9 transactions in which it failed to collect sufficient identifying information from its customers to know
10 or verify the identities of those customers, in violation of 31 C.F.R. § 1022.210(d)(1)(i). Specifically,
11 in 2024, Hermes failed to collect customer names for over 30% of its processed transactions.
12 Between January 1 and April 30, 2025, the issue worsened, with customer names missing from more
13 than 60% of the transactions. These failures also constitute a violation of 31 C.F.R § 1022.210(a) and
14 (b) for implementation of an ineffective BSA/AML program not commensurate with risk.

15 IV.

16 **Desist and Refrain Order**

17 34. Based on the foregoing findings, the Commissioner is of the opinion that Hermes is a
18 covered person or service provider engaged in unlawful acts or practices with respect to consumer
19 financial products or services in violation of Financial Code section 90003(a)(1). Further, the
20 Commissioner is of the opinion that Hermes violated Financial Code section 90003(a)(2) by offering
21 or providing to a consumer a financial product or service not in conformity with, or otherwise
22 committed any act or omission in violation of the following consumer financial laws: DFAL sections
23 3902, 3904, 3905(a), 3905(b)(1) and (8) and 31 C.F.R § 1022.210(a), (b) and (d)(1)(i)(A).

24 35. Pursuant to Financial Code section 90015(d)(1), Hermes and its managers, officers,
25 directors, agents, owners or employees are hereby ordered to desist and refrain from engaging in, or
26 proposing to engage in, unlawful acts or practices in the operation of digital financial asset kiosks in
27 California in violation of Financial Code section 90003(a)(1), or offering or providing to a consumer
28 any financial product or service not in conformity with any consumer financial laws, including but

1 not limited to the following: sections 3902, 3904, 3905(a) and 3905(b)(1) and (8) of the DFAL; and
2 31 C.F.R § 1022.210(a), (b) and (d)(1)(i)(A).

3 36. This Desist and Refrain Order is necessary, in the public interest and consistent with
4 the purposes, policies, and provisions of the CCFPL. This Desist and Refrain Order shall remain in
5 full force and effect until further order of the Commissioner.

6 **V.**

7 **Claim for Ancillary Relief**

8 37. Pursuant to Financial Code sections 90015(e) and 90012(b)(3), Hermes and its
9 officers, successor, and assigns, by whatever names they might be known, jointly and severally, are
10 hereby ordered to pay restitution to any and all customers who were charged more than the amount
11 legally prescribed by DFAL section 3904, as cited in Paragraph 29, above. Restitution shall be paid
12 directly to the respective customers in the form of check sent by registered or certified mail no later
13 than 30 days after the date of this Order. Payment of restitution shall not be conditioned upon the
14 waiver of any rights the victims may have. Hermes shall provide confirmation of receipt of the
15 restitution payments no later than 45 days after the date of the Order. Notice shall be sent to John
16 King, Counsel, Department of Financial Protection and Innovation, Enforcement Division, via e-mail
17 at john.king@dfpi.ca.gov.

18 **VI.**

19 **Notice of Intent to Issue an Order Assessing Penalties**

20 38. In any administrative action brought pursuant to the CCFPL, the Commissioner may,
21 by order, after notice and opportunity to be heard, assess penalties, as provided in Financial Code
22 section 900012(c). (Cal. Fin. Code § 90015). Financial Code section 90012(c) authorizes the
23 Commissioner to issue an order assessing penalties against any person for any violation of the
24 CCFPL, rule or final order, or condition imposed in writing by the department.

25 39. Based on the foregoing findings, the Commissioner is of the opinion that Hermes
26 violated: a) California Financial Code section 90003(a)(1) by engaging in unlawful acts or practices
27 with respect to consumer financial products or services and b) California Financial Code section
28 90003(a)(2) by offering or providing to a consumer any financial product or service not in conformity

1 with any consumer financial law or otherwise committing any act or omission, including but not
2 limited to sections 3902, 3904, 3905(a) and 3905(b)(8) of the DFAL; and 31 C.F.R 1022.210(a), (b)
3 and (d)(1)(i)(A).

4 40. Pursuant to California Financial Code section 90015(c), the Commissioner hereby
5 gives notice of intent to issue an order assessing administrative penalties against Hermes for the
6 statutory amount of not more than two thousand five hundred dollars (\$2,500.00) for each violation
7 cited above.

8 WHEREFORE, good cause appearing, the Commissioner prays for an order assessing administrative
9 penalties against Respondent pursuant to Financial Code sections 90015(c) and 90012(b) in the
10 amount of \$60,810,000, or according to proof based on:

- 11 (a) For each of the 29 instances in which Hermes kiosks accepted or dispensed more than
12 \$1,000 to or from a customer in violation of Financial Code section 3902;
- 13 (b) For each of the 3,006 instances in which Hermes charged a customer more than the
14 maximum fees and charges allowed by Financial Code section 3904;
- 15 (c) For each of the 3,006 instances in which Hermes failed to provide a written disclosure to a
16 customer in violation of Financial Code section 3405(a);
- 17 (d) For each of the 14,120 instances on which Hermes kiosks printed receipts in violation of
18 Financial Code section 3905(b)(1) and (8);
- 19 (e) For each of the 4,163 instances in which Hermes failed to collect any identifying
20 information for a customer, in violation of 31 C.F.R. 1022(a), (b), and (d)(1)(i)(A).

21
22 DATED: September 18, 2025
23 Sacramento, California

KHALIL MOHSENI
Commissioner of Financial Protection and Innovation



24 By: _____

25 MARY ANN SMITH
26 Deputy Commissioner
27 Enforcement Division
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