UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

KHONG MENG CHEW, Individually and On Behalf of All Others Similarly Situated, Plaintiff, v. MONEYGRAM INTERNATIONAL, INC., W. ALEXANDER HOLMES, PAMELA H. PATSLEY, LAWRENCE ANGELILLI, GANESH B. RAO, ANTONIO O. GARZA, SETH W. LAWRY, and W. BRUCE TURNER, Defendants.	Case No. 1:18-cv-07537 Judge Joan Humphrey Lefkow

Lead Plaintiffs Norfolk County Retirement System ("Norfolk County") and Ozgur Karakurt ("Karakurt") (collectively, the "Lead Plaintiffs") through their undersigned attorneys, allege the following based upon personal knowledge, on information and belief, and on the investigation of Lead Plaintiffs' counsel, which included a review of relevant U.S. Securities and Exchange Commission ("SEC") filings by MoneyGram International, Inc. ("MoneyGram" or the "Company"), records of judicial proceedings in the United States District Court for the Northern District of Illinois and the United States District Court for the Middle District of Pennsylvania, records of judicial proceedings and deposition testimony and exhibits from a whistleblower action involving MoneyGram filed with the Department of Labor and Eastern District of Texas, regulatory filings and reports, press releases, public statements, interviews with former employees of MoneyGram (referred to herein as "Confidential Witnesses"), news articles, other publications, securities analysts' reports and advisories about MoneyGram, and other readily obtainable information. Lead Plaintiffs believe that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

I. NATURE OF THE ACTION

1. This action is brought on behalf of purchasers of MoneyGram securities during the period from February 11, 2014 through and including November 8, 2018 (the "Class Period") asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Lead Plaintiffs allege that during the Class Period, Defendant MoneyGram and certain of its officers and directors misrepresented and concealed from investors MoneyGram's breach of both a 2009 order obtained by the Federal Trade Commission ("2009 FTC Order") and a 2012 Deferred Prosecution Agreement with the Department of Justice ("DPA I"), the impact of compliance efforts on revenue, the efficacy of MoneyGram's fraud prevention

systems and technology, and the spike in fraudulently induced money transfers. At no point did Defendants reveal that the Company was in breach of the 2009 FTC Order or DPA I or warn that the Company was unable to comply with the terms of those orders.

2. At all relevant times, MoneyGram was engaged in the business of providing money transfer services to consumers worldwide through a network of approximately 350,000 agent locations in more than 200 countries. Prior to the commencement of the Class Period, MoneyGram publicly admitted that many of its agents participated in criminal schemes inducing consumers to send money to MoneyGram outlets across the world based on false promises of future financial benefits (e.g. large cash prizes, lottery winnings, fictitious loans, high ticket items at deep discounts). In exchange for transfer fees from the fraudsters, MoneyGram agents turned the fraudulently induced funds over to the wrongdoers and accepted false identification, thereby concealing the wrongdoers' identity. MoneyGram profited from the fraud schemes by collecting fees and other revenues on each fraudulent transaction.

3. The United States government twice ordered MoneyGram to desist from these fraudulent practices. First, on October 20, 2009, the FTC announced a settlement with MoneyGram to resolve allegations that MoneyGram knew that its system was used to defraud consumers, but MoneyGram failed to stop the schemes and in some cases MoneyGram agents participated in the scheme ("2009 FTC Order").[1] Defendants W. Alexander Holmes ("Holmes"), Pamela H. Patsley ("Patsley"), Ganesh B. Rao ("Rao"), and Seth W. Lawry ("Lawry") were all at MoneyGram at the time the Company agreed to the entry of the 2009 FTC Order. MoneyGram

[1] *FTC v. MoneyGram International, Inc.*, No. 09-cv-6576 (N.D. Ill. Oct. 20, 2009), Dkt. No. 13; *see also* Dkt. No. 1 (Complaint).

had to pay $18 million for consumer redress and undertake numerous specific enhancements to its compliance system, which were clearly laid out in the 2009 FTC Order.

4. Then three years later, on November 9, 2012 MoneyGram entered into a five-year deferred prosecution agreement with the DOJ ("DPA I").[2] In DPA I, MoneyGram admitted that between 2003 and 2009 it had criminally aided and abetted the fraudulent inducement of money transfers. MoneyGram "knew that specific MoneyGram agents were involved in a fraud scheme" but did not shut those agents down and as a result, "the fraudulent activity skyrocketed." The scope of MoneyGram's criminal misconduct identified in DPA I was sweeping. Fraud complaints increased ten-fold from 2004 to 2008. MoneyGram admitted to having received 63,814 consumer fraud reports between 2004 and 2009, representing $128,445,411 in losses to consumers who were duped into using MoneyGram's services (and that number is under-inclusive because not every victim reported the fraud to MoneyGram).

5. All of the Individual Defendants were at MoneyGram when the Company entered into DPA I. Patsley entered into DPA I with the consent and approval of MoneyGram's Board of Directors ("the Board").

6. Under DPA I MoneyGram did not just admit it engaged in criminal misconduct, but it also publicly agreed, with the knowledge and consent of its Board, that MoneyGram would take very specific remedial actions. These actions included:

a. implementing systems to detect and prevent consumer fraud,

b. conducting timely fraud investigations and suspensions of outlets and agents who met specific fraud thresholds,

[2] *United States v. MoneyGram*, No. 1:12-cr-00291-CCC (M.D. Pa. Nov. 9, 2012), Dkt. No. 3 (Deferred Prosecution Agreement); Dkt. No. 3-1 (Statement of Facts, Certificate of Corporate Resolutions, and Enhanced Compliance Undertakings); *see also* Dkt. No 1 (Criminal Information).

c. creating an independent Compliance and Ethics Committee (the "Compliance Committee") within the Board "responsible for ensuring that the Company is in compliance with all aspects of this Agreement," and

d. providing monthly updates to the FTC of all consumer fraud complaints.

7. DPA I also required MoneyGram to pay a $100 million forfeiture.

8. Throughout the Class Period, Defendants steadily and repeatedly led investors to believe that MoneyGram was fully complying with all aspects of DPA I and the 2009 FTC Order (indeed, that MoneyGram was a leader in compliance), its compliance initiatives positively impacted financial results, MoneyGram had effective fraud prevention systems and technology, and losses from fraudulently induced money transfers were decreasing.

9. For example, on February 11, 2014 (the first day of the Class Period), MoneyGram stated that "[t]he Company will ***continue to advance its leadership in global compliance***." On May 1, 2015, it touted the launch of a "new ***market-leading compliance system***." On October 30, 2015, Defendant Patsley said that "***impressive results***" for the third quarter showed that MoneyGram's ***"world-class compliance engine"*** was ***"not only core to our business but a true competitive advantage that we can leverage in the future"*** and that ***"our technological capabilities led to great results in the third quarter."*** On October 28, 2016, Defendant Holmes told investors that the Company replaced its fraud interdiction system (with no explanation of the reason for the replacement) and that the new system had a ***"fantastic impact on our business***" and was "***freeing up more transactions***." And throughout the Class Period, MoneyGram stated that its compliance enhancement program was ***"focused on … completing the programs recommended in adherence with"*** DPA I.

10. All of these positive affirmative statements introduced artificial inflation into MoneyGram's common stock price, causing its stock to reach in excess of $17 per share during the Class Period.

11. Unfortunately for MoneyGram's investors, all of these affirmative representations were blatantly false, and Defendants also omitted critical adverse information. During the Class Period, instead of MoneyGram preventing or lowering fraudulently induced money transfers, complaints of fraudulent money transfers spiked dramatically to ***295,775*** defrauded consumers representing over ***$125 million*** in lost consumer funds.

12. Further, instead of implementing the remedial actions to ensure compliance with the 2009 FTC Order and DPA I, MoneyGram implemented systems with known fundamental weaknesses. For example, as MoneyGram admitted, the fraud interdiction system it introduced in April 2015 failed to effectively block known fraudsters and was not replaced until October 2016. As a result, individuals who should have been blocked were able to continue engaging in fraudulent transactions. Confidential Witnesses corroborated this admission.

13. Further, MoneyGram adopted written compliance guidelines that clearly violated the 2009 FTC Order and allowed MoneyGram agents at large chain outlets to continue to engage in fraudulent money transfers without review or discipline.

14. Beginning in late 2017, MoneyGram's non-compliance with DPA I began to reveal itself to the market. Instead of DPA I expiring on schedule in November 2017 (as MoneyGram's claims of excellent progress suggested it would), DPA I was extended seven times from November 2017 to September 2018 while the DOJ determined if MoneyGram was in compliance. During that time, MoneyGram also disclosed that the Company set aside first $85 million and then $95 million to resolve DPA I.

15. The market reacted negatively to this news. After the first extension of DPA I, the stock price dropped from a closing price of $15.38 per share on November 2, 2017 to a closing price of $14.54 per share on November 3, 2017. After the announcement of the $85 million reserve, the stock price dropped from a closing price of $9.52 per share on March 16, 2018 to a closing price of $9.35 per share on March 19, 2018. After the announcement of another DPA extension and that newly implemented compliance measures had a major negative impact on revenue, the stock price dropped from $8.60 per on May 7, 2018 to $7.55 per share on May 8, 2018 and then $6.57 per share on May 9, 2018. After the announcement that MoneyGram increased reserves from $85 million to $95 million to resolve DPA I, the stock price dropped from a close of $6.59 per share on August 2, 2018 to a close of $6.10 per share on August 3, 2018.

16. Finally, on November 8, 2018, the full truth emerged when the DOJ and FTC revealed that MoneyGram had been in breach of DPA I and the 2009 FTC Order throughout the entire Class Period, DPA I was extended for another three years and amended to include even more compliance enhancements, and MoneyGram had to forfeit to the United States an additional $125 million ("DPA II," attached hereto as Exhibit A, and "2018 FTC Order," attached hereto as Exhibit B). MoneyGram also revealed the high cost of finally implementing higher compliance standards, disclosing that implementation of compliance standards caused revenue to decline by ***15%***.

17. Investors' reaction to this news was dramatic. On November 9, 2018, MoneyGram's common stock price cratered by ***49%*** to close at $2.27 per share, down from $4.47 per share the previous day, on exceptionally heavy volume of 4,485,500 (up from 988,300 on November 8, 2018).

18. The intentionality and recklessness of Defendants' false and misleading statements and omissions during the Class Period is demonstrated in multiple ways, including by the volume

and nature of MoneyGram's violations as detailed by the FTC and the DOJ in November 2018. Additionally, as noted above and herein, the FTC and DOJ found that MoneyGram's own internal records during the Class Period showed the undisclosed increase in fraud complaints, reflecting that Defendants either intentionally or recklessly disregarded MoneyGram's non-compliance with DPA I and the 2009 FTC Order.

19. Defendants' scienter is even more acute because in 2014 MoneyGram established at the Board level a new Compliance Committee, as required by DPA I under the threat of criminal prosecution, whose sole function was to monitor MoneyGram's compliance with the FTC Order and DPA I and the Company's involvement in fraud-induced money transfers. Additionally, MoneyGram was subject to review by an outside, independent compliance Monitor (the "Monitor") who provided regular reports to the Board and Compliance Committee of his findings, including five annual reports. As a result, for Defendants to falsely tout MoneyGram's compliance achievements throughout the Class Period means that either the Compliance Committee and Monitor were completely dysfunctional (which the DOJ and FTC did not conclude in their 2018 findings) or Defendants intentionally or recklessly ignored their findings during the Class Period.

20. Further, the undisclosed increase in fraud-induced money transfers during the Class Period was the result of intentional conduct. The FTC specifically found that during the Class Period MoneyGram had procedures and written compliance guidelines that allowed its large chain outlets to continue to engage in fraudulent money transfers without review or discipline.

21. Finally, Defendants Patsley and Holmes were personally motivated to issue the false and misleading statements and/or not disclose the truth to investors during the Class Period. While public investors suffered from the collapse of their MoneyGram shares to a 90-day average price of $2.11 per share following the disclosure of the facts concealed and misrepresented during

the Class Period, Defendants Holmes and Patsley collectively reaped massive profits from insider sales of over $7 million dollars during the Class Period, selling 708,861 shares of MoneyGram common stock at inflated prices of between $5.30 and $20.08 per share.

II. JURISDICTION AND VENUE

22. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5, 240.14a-9.

23. This Court has jurisdiction over the subject matter of the federal securities claims pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act.

24. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391(b) because the Company conducts business in this district through its hundred-plus agents located in this District,[3] the alleged misstatements entered and subsequent damages occurred in this District, and there is a related FTC action in this District, styled *FTC v. MoneyGram International, Inc.*, No. 09-cv-6576.

25. In connection with the acts and conduct alleged in this Consolidated Amended Class Action Complaint ("Amended Complaint"), Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mail, interstate telephone communications, and the facilities of the national securities markets.

III. PARTIES

A. Lead Plaintiffs

26. Lead Plaintiff **Norfolk County** is a public pension fund established in 1911 to provide retirement benefits to employees of Norfolk County, Massachusetts. Norfolk County

[3] http://locations.moneygram.com/il/chicago/

serves approximately 10,000 active and retired members of the county and manages assets of approximately $1 billion. Norfolk County purchased and/or acquired MoneyGram securities during the Class Period and was damaged thereby. Throughout the Class Period, Norfolk County purchased a total of 30,000 shares of MoneyGram common stock at artificially inflated prices up to $6.69 per share, totaling $181,254.50, as reflected on the loss chart included with the Lead Plaintiff Motion it filed on January 14, 2019 (Dkt. No. 17-2 at 2).

27. Lead Plaintiff **Ozgur Karakurt** is an individual investor. Mr. Karakurt purchased and/or acquired MoneyGram securities during the Class Period and was damaged thereby. Throughout the Class Period, Mr. Karakurt purchased a total of 18,749 shares of MoneyGram common stock at artificially inflated prices up to $12.00 per share, totaling $159,906.13, as reflected on the loss chart included with the Lead Plaintiff Motion he filed on January 14, 2019 (Dkt. No. 12-3 at 2).

28. Together, Norfolk County and Mr. Karakurt are the Court-appointed "Lead Plaintiffs."

B. Defendants

29. Defendant **MoneyGram International, Inc.** is a publicly traded Delaware corporation headquartered in Dallas, Texas. The Company provides money transfer services globally through a network of agents. MoneyGram stock trades on the Nasdaq exchange under the ticker symbol MGI.

30. Defendant **Pamela H. Patsley** joined MoneyGram in January 2009, ten months before the Company entered into the 2009 FTC Order and over three years before the Company entered into DPA I. She served as Executive Chairman of the Company from January 2009 to September 2009, and Chairman and Chief Executive Officer of the Company from September

2009 until December 2016. Patsley has been a member of the Board since 2009 and was the Executive Chairman of the Board from January 1, 2016 through February 1, 2018. Patsley signed DPA I on behalf of MoneyGram, acknowledging all of the Company's fraud prevention problems and agreeing to fulfill the specific obligations imposed by DPA I to avoid criminal prosecution. During the Class Period, Patsley made numerous materially false and misleading statements and omissions. Additionally, she reaped enormous profits from insider sales during the Class Period, earning $5,073,561.26 on sales of 513,752 shares at inflated prices between $5.30 and $20.08 per share.

31. Defendant **W. Alexander Holmes** joined MoneyGram in June 2009, four months before the Company entered into the 2009 FTC Order and over three years before the Company entered into DPA I. Defendant Holmes became the Executive Vice President and Chief Financial Officer in March 2012 – just months before MoneyGram entered into DPA I. He began serving as Executive Vice President, Chief Financial Officer, and Chief Operating Officer of the Company in February 2014 and Chief Executive Officer since January 2016. Holmes has been a member of the Board since 2015 and Chairman of the Board since February 2018. Holmes signed DPA II, admitting to the Company's misconduct throughout the Class Period. During the Class Period, Holmes made numerous materially false and misleading statements and omissions. Additionally, Holmes reaped enormous profits from insider sales during the Class Period, earning $2.1 million on sales of 195,109 shares of MoneyGram common stock at between $5.30 and $20.08 per share.

32. Defendant **Lawrence Angelilli** joined MoneyGram in August 2011, over a year before the Company entered into DPA I. He served as Senior Vice President from August 2011 to August 2014, Treasurer from August 2011 to December 31, 2015, Senior Vice President of

Corporate Finance from 2014 to December 31, 2015, and in his current position of Executive Vice President and Chief Financial Officer since January 1, 2016.

33. Defendant **Seth W. Lawry** joined MoneyGram as a Director in April 2008, over a year before the Company entered into the 2009 FTC Order and over four years before the Company entered into DPA I. He is also a member of the Compliance Committee the Company formed in 2014 as required by DPA I. As a member of the Compliance Committee, Lawry was charged with ensuring the Company's compliance with DPA I – a charge that was not fulfilled. During the Class Period, Lawry made materially false and misleading statements and omissions.

34. Defendant **Ganesh B. Rao** joined MoneyGram as a Director in November 2008, over a year before the Company entered into the 2009 FTC Order and over four years before the Company entered into DPA I. He is a member of the Compliance Committee the Company formed in 2014 as required by DPA I. As a member of the Compliance Committee, Rao was charged with ensuring the Company's compliance with DPA I – a charge that was not fulfilled. During the Class Period, Rao made materially false and misleading statements and omissions.

35. Defendant **W. Bruce Turner** joined MoneyGram as a Director in May 2010, over two years before the Company entered into DPA I. He is a member of the Compliance Committee the Company formed in 2014 as required by DPA I. As a member of the Compliance Committee, Rao was charged with ensuring the Company's compliance with DPA I – a charge that was not fulfilled. During the Class Period, Turner made materially false and misleading statements and omissions.

36. Defendant **Antonio O. Garza** joined MoneyGram as a Director in April 2012, seven months before the Company entered into DPA I. He is the Chair of the Compliance Committee the Company formed in 2014 as required by DPA I. As a member of the Compliance

Committee, Rao was charged with ensuring the Company's compliance with DPA I – a charge that was not fulfilled. During the Class Period, Garza made materially false and misleading statements and omissions.

37. Holmes, Patsley, Angelilli, Lawry, Rao, Turner, and Garza collectively are the "Individual Defendants." Each of the Individual Defendants was at MoneyGram before DPA I was agreed to and Defendants Holmes, Patsley, Rao, and Lawry were at MoneyGram before the 2009 FTC Order. Accordingly, all of the Defendants were well aware of MoneyGram's compliance problems and the specific remedial actions that MoneyGram was required to implement during the Class Period. The Defendants thus acted with severe recklessness in allowing MoneyGram to issue the blatantly false and misleading statements and omissions during the Class Period.

38. Because of the Individual Defendants' respective positions with the Company, they had access to adverse undisclosed information about the Company's business, operations, internal audits, compliance, technology, present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management, sales and Board of Directors meetings and committees thereof, and via reports and other information provided to them in connection therewith.

IV. SUBSTANTIVE ALLEGATIONS

A. MoneyGram's Business Model Offers an Attractive Target to Fraudsters

39. MoneyGram is a global money transfer business.

40. MoneyGram money transfer services are provided by third-party agents at a range of locations, from small "mom-and-pop" shops to large, multinational retailers. Throughout the

Class Period, Walmart was the largest MoneyGram agent, accounting for between 17% and 22% of total revenue.

41. Consumers that wish to send a money transfer through MoneyGram initiate a transaction, and the recipient can go to a MoneyGram location to collect the transfer amount.

42. MoneyGram receives a transfer fee on each money transfer purchased from the Company, based on the transfer amount and the destination location.

43. The speed and anonymity of MoneyGram's money transfer model creates a fertile environment for fraudsters. The FTC has found that "[m]oney transfers are a preferred method of payment for fraudsters because money sent through money transfer systems can be picked up quickly at locations all over the world, and once the money is paid out, it is all but impossible for consumers to get their money back. The systems also often allow scam artists to remain anonymous when receiving money from their victims."

44. Consumers that believed they had been defrauded could submit complaints to MoneyGram's call center, which compiled the information into Consumer Fraud Reports and sent those reports to MoneyGram departments specifically charged with monitoring agents and investigating fraud and money laundering, including the Financial Intelligence Unit and the Regional Compliance Team.

45. Although fraud and money laundering were major known risks in the money transfer industry, MoneyGram failed to implement adequate compliance measures. The Company's dereliction of its legal and regulatory obligations drew the attention of the federal government beginning in 2009.

B. In 2009 the FTC Finds MoneyGram Engaged in Fraudulently Induced Money Transfers and Directs Specific Remedial Actions

46. On October 20, 2009, the Federal Trade Commission announced that MoneyGram settled FTC charges that the Company knowingly permitted fraud to flourish across its network ("2009 FTC Order"). The FTC alleged that MoneyGram agents helped con artists trick U.S. consumers into executing over $84 million in fraudulent wire transfers.

47. The FTC stated that "MoneyGram knew that its system was being used to defraud people but did very little about it, and that in some cases its agents in Canada actually participated in these schemes." The FTC also alleged that MoneyGram "ignored warnings from law enforcement officials and even its own employees that widespread fraud was being conducted over its network" and "even discouraged its employees from enforcing its own fraud prevention policies," by disciplining or firing employees that raised concerns.

48. As part of the settlement MoneyGram agreed to specific improvements in its anti-fraud program. Under the 2009 FTC Order, MoneyGram's obligations included conducting timely investigations of agents to ensure they were meeting certain fraud thresholds, taking all reasonable steps to identify agents involved in fraud, firing or suspending agents who did not take appropriate steps to stop fraudulent money transfers, and developing and implementing a system for receiving consumer complaints and data.

49. In addition to the remedial actions, MoneyGram was required to pay $18 million for consumer redress.

50. The FTC's allegations were resolved in a Stipulated Order for Permanent Injunction and Final Judgment, entered by the District Court for the Northern District of Illinois and signed by U.S. District Judge John F. Grady.

51. For a five-year period following entry of the 2009 FTC Order, MoneyGram was required to distribute a copy of the Order to all principals, officers, directors, and managers and obtained a signed receipt of acknowledgement from each recipient.

52. All of the Defendants were at MoneyGram at the time the 2009 FTC Order was entered or joined the Company within that five-year period.

53. Despite MoneyGram's agreement with the FTC to transform its anti-fraud programs, only a few years later MoneyGram was once again in trouble with the government, this time with criminal ramifications, for failing to prevent the exact same fraud.

C. In 2012, MoneyGram's Failure to Remedy Problems Identified in the 2009 FTC Order Leads to the Entry of a Deferred Prosecution Agreement with the Department of Justice

54. On November 9, 2012, the DOJ filed a felony criminal information against MoneyGram for failing to prevent fraud and money laundering and announced that it had entered into a Deferred Prosecution Agreement with MoneyGram ("DPA I") to resolve these allegations. DPA I was entered by the District Court for the Middle District of Pennsylvania.

55. The felony criminal information alleged MoneyGram's involvement in a fraudulent wire transfer scheme from as early as 2003 through 2009. DOJ alleged that MoneyGram knew that MoneyGram agents were involved in criminal schemes inducing consumers to send money to MoneyGram outlets across the world based on false promises of future financial benefits (e.g. large cash prizes, lottery winnings, fictitious loans, high ticket items at deep discounts) but did not terminate agents. Instead, senior management rejected its own Fraud Department's recommendations to shut down certain agents and outlets, and even "actively assisted" agents engaged in these fraudulent schemes by increasing the number of transactions they could process

each day, allowing those problem agents to expand their operations and increase their compensation.

56. DOJ also alleged that in 2008 MoneyGram set extraordinarily high thresholds before an agent would be terminated for fraud. Termination did not occur unless an agent had greater than one percent of *all consumer fraud complaints worldwide.*

57. Finally, DOJ alleged that MoneyGram "***profited from the fraud schemes*** by, among other ways, collecting fees and other revenues on each fraudulent transaction initiated by" the agents and other perpetrators.

58. In DPA I, MoneyGram admitted responsibility for failing to prevent fraud, including failing to close "the worst of the worst" agents.

59. DPA I required MoneyGram to make substantial changes to its fraud prevention and compliance programs. These steps included the formation of the Compliance Committee of MoneyGram's Board, which was designed to ensure the end of fraudulent money transfers at MoneyGram. The Compliance Committee included Defendants Rao, Lawry, Garza, and Turner. The Compliance Committee's charter charged that group with "oversee[ing] the Corporation's compliance with responsibilities and obligations imposed by the Deferred Prosecution Agreement entered into among the Corporation and the U.S. Department of Justice and the U.S. Attorney's Office for the Middle District of Pennsylvania (the 'DPA')," including:

a. "Review[ing] the Compliance Program and assess[ing] management's implementation of such program,"

b. "Advis[ing] the Board with respect to the Compliance Program as it relates to non-financial matters,"

c. "Request[ing] from the CCO [Chief Compliance Officer] such reports as the Committee deems necessary or appropriate in fulfilling its responsibilities," and

d. "Oversee[ing] the Corporation's compliance with all aspects of the DPA."

60. Additionally, under DPA I, MoneyGram had five years to complete a series of clearly enumerated improvements to the compliance program, including:

a. Implementing a global audit program to ensure adherence to anti-fraud and anti-money laundering standards,

b. Implementing a due diligence program for MoneyGram agents with more than one complaint in a thirty-day period,

c. Developing improved transaction monitoring,

d. Providing the FTC with monthly updates of all consumer complaints about alleged fraud-induced money transfers,

e. Ensuring "that the maximum number of transactions feasible, originating in the United States, regardless of the destination, will be reviewed by the Company's Anti-Fraud Alert System to identify potentially fraudulent transactions," and

f. "[T]ruthfully disclos[ing] all factual information . . . concerning all matters related to fraud-induced money transfers, money laundering, and its anti-money laundering program about which the Company has any knowledge or about which the [DOJ] may inquire."

61. During this five-year period, MoneyGram had to appoint the Monitor who would provide recommendations and reports to MoneyGram's Board, the Compliance Committee, and

the DOJ. The Monitor was Aaron Marcu, an attorney at the law firm Freshfields Bruckhaus Deringer. The Monitor provided five annual reports during the course of DPA I.

62. In addition to the specific compliance enhancements, MoneyGram forfeited to DOJ $100 million, which the DOJ would restore to victims of MoneyGram's fraudulent schemes.

63. At the time that MoneyGram entered into DPA I, *all* of the Individual Defendants were at the Company and Defendants Patsley, Rao, Lawry, Garza, and Turner were on the Board. Defendant Patsley signed DPA I with the Board's authorization, admitting to the facts alleged therein. Each of these Defendants was therefore well aware that breaching the terms of DPA I would have serious consequences for MoneyGram, including subjecting the Company to prosecution for federal criminal violations.

D. Throughout the Class Period, Defendants Falsely Touted MoneyGram's Compliance Efforts, the Positive Impact of its Compliance Efforts on Revenue, the Efficacy of MoneyGram's Fraud Prevention Systems and Technology, and Dropping Fraud Losses

64. MoneyGram professed that it had established systems and programs to comply with DPA I, even before the Class Period began. The Company claimed to have launched a Compliance Enhancement Program in December 2013 that was "focused on improving our services for the consumers and completing the programs recommended in adherence with the DPA."

65. Throughout the Class Period, Defendants falsely led investors to believe that the Company was in compliance with its obligations under the 2009 FTC Order and DPA I, compliance efforts had a positive impact on revenue, MoneyGram had effective fraud prevention systems and technology, and fraud losses were dropping. At no point did Defendants reveal that the Company was in breach of the 2009 FTC Order or DPA I or warn that the Company was unable to comply with the terms of those orders. To the contrary, Defendants reassured investors that effective fraud prevention was ongoing and having a positive impact on revenue. By way of

example, the following statements created a successive drumbeat of assurances to investors about MoneyGram's compliance efforts.

66. On February 11, 2014 (the first day of the Class Period), MoneyGram issued a press release on Form 8-K filed with the SEC touting MoneyGram's compliance investments and prevention of fraud losses since 2009, stating that "[t]he Company will ***continue to advance its leadership in global compliance***." The Company also emphasized its compliance investments and fraud prevention statistics, stating "*MoneyGram has* ***invested more than $120 million in its compliance and anti-fraud programs and has successfully prevented more than $365 million in fraud losses, with $135 million prevented in 2013***."

67. On May 2, 2014, August 6, 2014, and November 13, 2014 as well as throughout the Class Period, in Forms 10-Q filed with the SEC, MoneyGram stated that its "***compliance enhancement program is focused on*** *…***completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ.***

68. On May 1, 2015, Defendant Patsley stated in a press release filed by the Company on Form 8-K with the SEC that MoneyGram had made "***significant progress***" on the compliance enhancement initiatives with the April 2015 launch of a "new ***market-leading compliance system***" and that the Company's "***investment in*** emerging markets and ***innovative new technologies***" positioned the Company for a "***return to double-digit growth in the fourth quarter***."

69. The market reacted positively, climbing from $7.75 per share the previous day to $8.30 per share by close on May 1, 2015, with trading volume more than doubling from the previous day.

70. On October 30, 2015, MoneyGram held a quarterly earnings call, during which Defendant Patsley repeatedly attributed MoneyGram's financial success to its strong compliance

technology. She said MoneyGram's "***impressive results***" in the third quarter show that the Company's "***strategies are on course and we're doing what we said we would do***," that ***"our technological capabilities led to great results in the third quarter,"*** and that the Company has "a ***world-class compliance engine*** that is ***not only core to our business but a true competitive advantage that we can leverage in the future.***" Holmes added:

> ***Being a leader in compliance*** *is so critical for us and not just for compliance with our DPA but also for relationships with banks and global initiatives around the world. We will continue to invest until we get it right, but* ***we feel good about the outlook*** *we have right now.*

71. On February 11, 2016, MoneyGram held an evening quarterly earnings call, during which Holmes again reassured investors about the Company's progress in meeting its compliance obligations. He stated that during 2015 the Company made "***steady progress on our compliance enhancement program activities and rolled out key functionality***" and that he was "***extremely pleased with all of the progress that we have made***," emphasizing the Company's investments in its "***core compliance***" and other technology.

72. MoneyGram's stock jumped on the next trading day by 18.5%, from a close of $4.75 per share on February 11, 2016 to $5.63 per share by close on February 12, 2016. Trading volume increased significantly, as well, from 272,800 shares traded on February 11, 2016 to 626,700 shares traded on February 12, 2016.

73. On October 28, 2016, MoneyGram held a quarterly earnings call, during which Holmes emphasized that the Company's compliance investments were having a positive impact on the Company's finances. Holmes explained to investors that the Company replaced its fraud interdiction system (with no explanation of the reason for the replacement) and that the new system had a ***"fantastic impact on our business***" and was "***freeing up more transactions***." He also

assured investors that the Monitor was "***checking things off the list***," suggesting that MoneyGram not only was in compliance with DPA I, but also that DPA I was nearing a successful conclusion.

74. The marketplace responded favorably to this news. The stock price increased 9.4% from a close of $6.05 per share on October 27, 2016 to $6.62 per share at close on October 28, 2016. Trading volume also increased significantly, from 71,300 shares traded on October 27, 2016 to 128,300 traded on October 28, 2016.

75. Analysts took note, too. An October 28, 2016 William Blair analyst report concluded that the Company appeared to be materially undervalued and the analyst predicted "mid-to upper-single-digit revenue growth and slightly faster EBITDA growth in coming years." The report further noted its expectation that "unusual compliance costs are near an end," that the government monitor team would be gone by the end of 2017, and the "removal of the monitor should be positive for investor psychology."

E. As the Truth Begins to Emerge, MoneyGram's Stock Price Spirals Down

76. After years of reassurances, beginning in fall 2017 it gradually became apparent that Defendants' positive statements regarding their compliance efforts and the impact of compliance efforts on revenue were not true. As the bad news spilled out, MoneyGram's stock price steadily fell.

77. Instead of DPA I expiring on schedule in November 2017, DPA I was extended seven times while the DOJ and MoneyGram discussed whether MoneyGram was in compliance with DPA I.

78. The first extension was on November 2, 2017 when the Company announced in a Form 10-Q filing with the SEC that DPA I would be extended to February 6, 2018.

79. That same day, Defendants Holmes acknowledged that implementation of compliance efforts did not generate revenue, as Defendants previously insisted, but rather reduced revenue. He was quoted in a press release filed by MoneyGram with the SEC on Form 8-K, stating that "***[t]he complexity of global compliance requirements is also affecting revenue as we implement enhanced solutions to comply with increasingly stringent AML and consumer fraud measures to protect our customers and the integrity of our network***."

80. The stock price dropped from a closing price of $15.38 per share on November 2, 2017 to $14.54 per share on November 3, 2017 and trading volume leapt from 356,000 shares traded on November 2, 2017 to 1,101,600 shares traded on November 3, 2017.

81. On March 16, 2018, the Company revealed that there may be substantial additional costs associated with DPA I. In a press release filed with the SEC on Form 8-K, MoneyGram announced that the Company reserved $85 million in connection with the possible resolution of DPA I.

82. The stock price dropped from a closing price of $9.52 per share on March 16, 2018 to $9.35 per share on March 19, 2018.

83. On May 7, 2018, MoneyGram filed with the SEC a Form 8-K, announcing another extension of DPA I and revealing the major negative impact of compliance efforts on revenue. The press release attached to the Form 8-K quoted Defendant Holmes stating that the Company's newly implemented compliance standards were "***expected to adversely impact transactions and revenue in 2018***."

84. Holmes elaborated on the May 8, 2018 earnings call, acknowledging that "revenue headwinds from new compliance standards" would impact the year's results and that recently tightened compliance measures had an "impact on revenue." He also stated that given the new

compliance rules they anticipated the "elimination of revenue associated with historically high dollar band or increased transaction frequency in certain markets." Analyst Robert Paul Napoli from William Blair & Company L.L.C. wondered why MoneyGram was having so many more challenges than competitors after investing lots of time and effort, and whether "the systems and compliance and controls were light years behind the competition 3 years ago." In response, Defendant Holmes downplayed the analyst's concerns, stating that DPA I's requirements "are pretty well defined" and the Company has "made great progress, I think, particularly in the last couple of years."

85. MoneyGram's share price tumbled on this news, falling from a close of $8.60 per share on May 7, 2018 to a close of $7.55 per share on May 8, 2018; it then dropped to a close of $6.57 per share on May 9, 2018. Trading volume spiked over those three days from 363,700 shares traded on May 7, 2018 to 1,224,500 shares traded on May 8, 2018 to 1,584,700 shares traded on May 9, 2018.

86. On August 3, 2018, MoneyGram announced in Form 10-Q filed with the SEC that it had increased reserves from $85 million to $95 million in connection with the possible resolution of DPA I.

87. That day, the share price fell from a close of $6.59 per share on August 2, 2018 to a close of $6.10 per share on August 3, 2018.

F. In November 2018, the Truth is Fully Revealed: MoneyGram Enters into DPA II with the Government, Admitting That the Company Failed to Fulfill the Remedial Requirements of DPA I and the 2009 FTC Order

88. Finally, on November 8, 2018, the DOJ and FTC revealed that MoneyGram had been in breach of DPA I and the 2009 FTC Order and that because of these breaches MoneyGram agreed to pay a $125 million forfeiture and DPA I was extended for an additional three years. The

violations identified by the DOJ and FTC extended back to the beginning of the Class Period. MoneyGram also disclosed in its Form 8-K filing with the SEC that the recent (delayed) implementation of compliance measures negatively affected revenue, noting that third-quarter revenue was down by 15% due to implementation of "higher compliance standards" and new controls for certain geographic areas – thus revealing MoneyGram's failure to effectively prevent fraudulent transfers during the Class Period artificially inflated the revenue.

89. On the November 9, 2018 earnings call, Holmes acknowledged the negative impact of the Company's delayed implementation of compliance measures on revenue, stating, "for the most part, ***the decreased outlook on revenue is associated with general changes in our compliance policies*** and general changes in our outlook on specific markets and corridors and business that we want to undertake as an organization."

90. The adverse reaction of MoneyGram's common stock price on November 9, 2018 was dramatic. MoneyGram's common stock price cratered by ***49%*** to close at $2.27 per share on November 9, 2018, down from $4.47 per share the previous day, on exceptionally heavy volume of 4,485,500 (up from 148,800 on November 7, 2018 and 988,300 on November 8, 2018).

91. The DOJ and FTC's November 2018 orders also revealed that unfortunately for public investors in MoneyGram, Defendant's statements during the Class Period were blatantly false.

G. The DOJ and FTC's Findings in November 2018 Reveal the Falsity of Defendants' Class Period Statements

92. The November 2018 FTC Order and DPA II showed that contrary to MoneyGram's Class Period statements, throughout the Class Period MoneyGram failed to take the remedial actions specifically required under DPA I and the 2009 FTC Order. Instead of taking the required remedial steps, MoneyGram implemented policies and procedures that allowed fraud to proliferate

throughout its system. MoneyGram tried to conceal this lack of compliance by adopting a double standard that shielded its highest-volume agents from detection and discipline when they engaged in fraudulent behavior, while instead targeting lower-volume "mom-and-pop" shops.

93. In this climate of ineffective fraud prevention, and despite Defendants' praise for their "world-class compliance engine," complaints of fraudulently induced money transfers soared during the Class Period. Between 2012 and 2016, consumer fraud complaints to MoneyGram *nearly tripled* from 26,485 in 2012 to 75,628 in 2016; from January 1, 2013 to April 30, 2018, consumer fraud transactions skyrocketed to a total of ***295,775*** complaints.

94. The true, undisclosed adverse facts that existed at MoneyGram during the Class Period, as found by the DOJ and FTC, include that:

a. ***MoneyGram's failure to monitor agents allowed criminal rings to use MoneyGram to perpetrate their fraudulent schemes****:* The FTC found that MoneyGram failed to effectively monitor agents, thereby allowing rings of fraudsters to conduct numerous suspicious transfers in a geographic area without being detected or stopped. The FTC found that MoneyGram's failure to monitor violated Section I.D.4 of the 2009 FTC Order, which required implementation of a comprehensive anti-fraud program including agent monitoring.

b. ***MoneyGram failed to suspend or terminate agents engaged in fraud***: The FTC found that MoneyGram failed to conduct required fraud investigations, suspend implicated locations pending completion of the investigation, or terminate locations that were likely complicit in fraud in violation of Sections III.B.3-4 and III.B.5.b of the 2009 FTC Order, which required

timely investigations of agents meeting certain specified fraud thresholds and termination of locations that "may be complicit" in fraud-induced money transfers.

c. ***MoneyGram created policies and implemented procedures that gave special treatment to large chain agents - its biggest source of revenue:*** The FTC found that MoneyGram had laxer standards for large chain agents – MoneyGram's biggest accounts – than for small "mom-and-pop" operators. The FTC found that MoneyGram was "***aware for years*** of high levels of fraud and suspicious activities" by large chain agents but failed to take the required disciplinary action. From the start of the Class Period until mid-2017, MoneyGram did not suspend *any* locations of a particular large chain agent, even where its locations had high levels of fraud, failed to train employees, or were otherwise non-compliant with MoneyGram's policies and procedures. And from approximately March 2015 until at least March 2016, MoneyGram did not conduct required reviews of certain large chain agents' locations, even though they met the required-review threshold in the 2009 FTC Order; MoneyGram also did not even consider if disciplinary action was necessary at those locations. The FTC also found that MoneyGram established standards for large chain agent discipline that violated the standards required by the 2009 FTC Order. The 2009 FTC Order required terminating any agent location that "may be complicit" in fraud-induced money transfers – but for large chain agents, MoneyGram's policy only terminated if "*the Chain Agent itself*" was complicit in fraud,

rather than assessing each individual location's complicity. The effect of MoneyGram's improper standard was that a single location with a pattern of fraudulent and suspicious activity could continue in its deceitful ways without threat of discipline from MoneyGram. The FTC found that these standards and procedures violated Sections III.B.3-4 and III.B.5.b of the 2009 FTC Order Section which required timely investigations of agents meeting certain specified fraud thresholds (including a separate complicity assessment for "any person authorized to sell money transfer services" from MoneyGram) and termination of locations that "may be complicit" in fraud-induced money transfers. including large chain agents or their individual locations.

d. ***MoneyGram created written policies that permitted an agent to commit a tremendous amount of fraud before facing suspension or termination:*** The FTC found that the written policies of the MoneyGram's Financial Intelligence Unit ("FIU") – the "primary unit responsible for conducting consumer fraud investigations and taking (or recommending) disciplinary action" – set unreasonably high fraud thresholds for agent suspension and termination. FIU's written policy was to suspend locations once fraud represented ***75%*** of the location's total transaction and to terminate a location when fraud represented ***95%*** of the location's total transactions. The FTC found that these written policies were far more lenient than the standards set in the 2009 FTC Order. The 2009 FTC Order required MoneyGram to terminate, suspend, or restrict agents that have not been

"taking appropriate steps to prevent" fraud-induced money transfers, a standard that the FTC found was satisfied well before greater than 75% of an agent's transactions are determined to be fraudulent. Additionally, the 2009 FTC Order deemed termination appropriate when there "may be complicity at an agent location, which the FTC found is met long before fraud activity exceeds 90% of all transactions.

e. ***MoneyGram used a defective fraud interdiction computer system – and hid the system's weaknesses from the government***: The FTC and DOJ found – *and MoneyGram admitted* – that from April 2015 to October 2016 the Company's fraud interdiction system failed to block fraudulent transactions. MoneyGram's failure allowed individuals that "***it knew, or should have known, were using its system for fraud***" to continue transacting and defrauding consumers.[4] The DOJ also found – *and MoneyGram admitted* – that the Company hid the weaknesses of the fraud interdiction system from the DOJ, and instead blamed rising consumer fraud on external circumstances. The DOJ found that MoneyGram's use of a defective fraud interdiction system and concealment of that information breached the terms of DPA I. The FTC also found that the defective fraud interdiction system breached Section I.D of the 2009 FTC Order, which

[4] The FTC and DOJ's findings – and MoneyGram's admission – were corroborated by customer accounts. A deposition exhibit from whistleblower Juan Lozada-Leoni's case revealed that a store auditor at Schnucks, a grocery store chain, requested that eight individuals be blocked from transacting on September 6, 2016 during the time that the fraud interdiction system was defective. More than three months later, on December 29, 2016, another Schnucks employee wrote the Company to note those individuals had not been blocked and were still transacting and noted that she was making frequent second requests for blocks.

required MoneyGram to implement a comprehensive anti-fraud program that had the "administrative, technical, and physical safeguards appropriate to Defendant's size and complexity, and the nature and scope of Defendant's activities."

f. ***MoneyGram failed to conduct adequate due diligence on prospective agents:*** The FTC found that MoneyGram failed to conduct thorough due diligence on all agents. MoneyGram's failure to conduct adequate due diligence meant that in some instances agents who had been shut down by MoneyGram's competitors for fraud could become MoneyGram agents. The FTC found that MoneyGram's failure to conduct due diligence violated Section II.A of the 2009 FTC Order, which required specific, enumerated due diligence measures including reasonable inquiry to ensure prospective agents were not previously closed by another money services business for fraud-related reasons.

g. ***MoneyGram failed to train agents to prevent fraud and money-laundering***: The FTC found that "***for years***" MoneyGram failed to train all agents on preventing consumer fraud. Rather than training all individuals who participated in the wire transfer process, MoneyGram relied on agents to train their own employees and MoneyGram did not ensure that this training occurred. A 2014 audit of a large chain agent found that 1,863 "primary and secondary" employees who processed money transfers had not done either initial or ongoing training, and 68% of secondary employees had *no training at all.* Even when MoneyGram implemented a new audit

procedure in 2015 that gave stores advance warning of an audit, large chain agents still failed to consistently train their employees. In response, MoneyGram neither suspended those locations nor took disciplinary action against the agents who failed to complete required training. The FTC found that MoneyGram's failure to train violated Sections I.D.3 and III.A of the 2009 FTC Order, which required adequate ongoing training and education for all agents on detecting and preventing consumer fraud.

h. ***MoneyGram failed to record and share all consumer complaints with the FTC***: The FTC found that MoneyGram failed to record all consumer complaints and share those complaints with the FTC, in violation of Sections III.B.1 and IV.B of the 2009 FTC Order, which required MoneyGram to record all complaints related to fraud-induced transfers and to share that information with the FTC.

V. ADDITIONAL FACTS GIVING RISE TO A STRONG INFERENCE OF SCIENTER

A. As the Government Found, MoneyGram's Own Records Revealed its Violations of the 2009 FTC Order and DPA I

95. That Defendants acted with scienter is supported by the fact that Defendants had access to information showing a high volume and rapid increase in volume of consumer fraud complaints.

96. Defendants were aware that the compliance programs and requirements set forth in DPA I and the 2009 FTC Order were not being implemented because they had access to Company records showing high – and increasing – levels of customer complaints regarding fraud and suspicious activity.

97. Specifically, in the November 2018 FTC Order, the FTC found that "MoneyGram's ***own records*** demonstrate[] that ***it has been aware for years of high levels of fraud and suspicious activities***," including by large chain agents.

98. Defendants' records would have shown a huge spike in consumer fraud complaints during the Class Period. Between 2012 and 2016, consumer fraud complaints to MoneyGram nearly tripled from 26,485 in 2012 to 75,628 in 2016. From January 1, 2013 to April 30, 2018, a bulk of the Class Period, consumer fraud transactions skyrocketed to ***295,775*** – dwarfing the number of fraud complaints in 2003 to 2009 that led to the 2009 FTC Order. And, even this number was likely *understated* due to the gross failures of MoneyGram's internal systems during the Class Period.

99. Defendants were aware of such statistics because, in order to ensure compliance with DPA I and the 2009 FTC Order and to avoid the risk of additional penalties and criminal consequences, it was their responsibility to identify any spikes in consumer fraud complaints and determine whether Defendants' failure to implement effective fraud prevention systems contributed to the spike. Defendants Patsley, Holmes, and Angelilli knew or should have been aware of this information in the course of their duties as executives and Board members as well as from communications with the Monitor who provided recommendations and reports to the Board on a regular basis regarding compliance issues. Defendants Rao, Garza, Lawry, and Turner knew or should have been aware of this information because they were specifically charged as members of the Compliance Committee with "oversee[ing] the Corporation's compliance with responsibilities and obligations imposed by the Deferred Prosecution Agreement entered into among the Corporation and the U.S. Department of Justice and the U.S. Attorney's Office for the Middle District of Pennsylvania (the 'DPA')." As members of the Board, they also would have

received regular reports from the Monitor regarding compliance. Despite this knowledge, the Individual Defendants issued materially false and misleading statements completely at odds with the true state of the efficacy of MoneyGram's compliance systems.

B. MoneyGram Created Institutional Procedures and Written Guidelines Concerning its Core Business that Permitted Fraud, Especially at Large Chain Agents

100. The Defendants' scienter is evidenced by the fact that MoneyGram created institutional procedures and written guidelines that violated DPA I and the 2009 FTC Order. MoneyGram's violations were not isolated issues or a few rogue employees – rather, its violations were in the "core" area of Defendants' business, were caused by institutional procedures and written guidelines, and occurred at each step of the compliance process (due diligence, training, monitoring, and discipline).

101. For example, as noted by the FTC in 2018, MoneyGram's Financial Intelligence Unit ("FIU") – the "primary unit responsible for conducting consumer fraud investigations and taking (or recommending) disciplinary action"– had written guidelines with unreasonably high fraud thresholds advising suspension when fraud represented ***75%*** of a location's total transaction and termination when a location when fraud represented ***95%*** of the location's total transactions – nearly every transaction. The FTC found this was a clear violation of the 2009 FTC Order, which required termination, suspension, or restriction of agents that "have not been 'taking appropriate steps to prevent' fraud-induced money transfers," a standard that "is satisfied long before the point at which *greater than 75 percent* of an agent's transactions are determined to be for fraud."

102. Additionally, MoneyGram had numerous policies and procedures that gave special treatment to large chain agents, which provided the largest source of revenue to MoneyGram, including:

a. Creating a policy to avoid terminating a large chain agent if one of its locations was complicit in fraud, unless the Chain Agent itself was also complicit;

b. Leaving fraud prevention training up to the chain, rather than taking responsibility for it, and declining to take disciplinary action when that training was not performed; and

c. Allowing large chain agents to continue transacting even when MoneyGram was aware of high levels of fraud and suspicious activity.

103. These provisions directly contradict the 2009 FTC Order, as discussed above.

104. Because MoneyGram created these procedures, it was aware of its noncompliance.

105. Furthermore, Defendants were aware of their violations of the 2009 FTC Order and DPA I because those orders concerned MoneyGram's core business. Defendants referenced the government orders as "core" to MoneyGram's business and therefore, oversaw compliance systems not only because it was required by those orders, but also because they were central to MoneyGram's business operations and purportedly created "a competitive advantage" for the Company.

106. Defendants were knowledgeable about the compliance program. For example, on October 28, 2016, Defendant Holmes mentioned the replacement of the fraud interdiction system during a quarterly earnings call (but failed to reveal that replacement was necessitated by the prior system's failure to block fraudulent transactions).

107. The fact that the violations of the 2009 FTC Order and DPA I stem from institutional procedures and written guidelines regarding all aspects of MoneyGram's "core" program supports a further inference of scienter.

C. Confidential Witnesses Confirms Government Findings That MoneyGram Used a Defective Fraud Interdiction System and Failed to Terminate Agents Despite Violations of Fraud Prevention Policies

108. Confidential witnesses formerly employed at MoneyGram confirmed the DOJ and FTC's finding that MoneyGram used a defective fraud interdiction system and failed to terminate agents despite their violation of fraud prevention policies. To protect these witnesses' identities, they are identified as men, regardless of actual gender. These witnesses' common personal experiences – despite working in different departments – demonstrate the prevalence and knowledge about these problems within MoneyGram, and further support an inference of scienter.

109. **Confidential Witness 1** worked in MoneyGram's Compliance Monitoring Department from August 2013 until September 2017. He started in the Money Transfer Department, focusing on suspicious money transfer activity in the United States; moved to the Consumer Confirmed Fraud Department, determining the need to file a Suspicious Activity Report ("SAR") and managing the timely filing of SARs; and ended his tenure as Supervisor of Compliance for SAR filing and the CTR Filing Department. His supervisor showed him an excerpt of a Monitor report that had been provided to the supervisor because it was relevant to that person's work with the fraud interdiction system and preventing fraud and money laundering.

110. Confidential Witness 1 reported that he encountered regular problems with the fraud interdiction system. MoneyGram compliance and monitoring analysts reported to him that they would try to block an individual suspected of engaging in fraudulent transactions from using MoneyGram, but the computer system would not actually block that individual – they would still be permitted to execute a transaction. CW 1 would look into these reports that individuals were not effectively blocked. CW 1 also had the same problem when he attempted to block individuals

– that the company system would not actually block that individual and they would still be permitted to execute a transaction.

111. Confidential Witness 1 saw a report prepared by the outside monitor team from Freshfields because it was shown to him by his supervisor. That report mentioned a Company employee saying that the fraud interdiction system did not work.

112. **Confidential Witness 2** worked in MoneyGram's sales department from January 2006 through April 2019. Confidential Witness 2 started as a Regional Sales Associate for the Northeast Region and became the Partnership Development Manager for New York where he worked with both key accounts that had more than seven locations and small mom-and-pop shops.

113. Confidential Witness 2 reported that MoneyGram agents routinely complained that they asked MoneyGram to block individuals from transacting due to fraud concerns, but those individuals would still be able to transact. He described that as a "top complaint" from MoneyGram agents. I&B Check Cashing was one of the agents that frequently made this complaint.

114. Confidential Witness 2 also reported that his efforts to enforce compliance standards were overruled. For example, about a year and a half ago, he discovered that a pharmacy in Brooklyn that processed money orders had no compliance program, no training, and no annual review. He submitted a request to close that agent's MoneyGram account. With no discussion, Confidential Witness 2's supervisor, Johnny Rosario (Regional Head of Sales, U.S. East) overrode his decision and requested that the account be reactivated. It is Confidential Witness 2's understanding that the account was in fact reactivated.

115. Confidential Witness 2 stated that Rosario discouraged him and other sales employees from putting any concerns about compliance issues in writing (including via email or text message).

D. Defendants Patsley and Holmes Were Motivated to Make False and Misleading Statements Since It Allowed Them to Profit from Insider Sales at Inflated Prices

116. That Defendants acted with scienter is further bolstered by the fact that, during the Class Period, Defendants Patsley and Holmes engaged in unusual and significant sales of their MoneyGram shares while in possession of material non-public information regarding the Company's breaches of DPA I and the 2009 FTC Order.

117. None of these Defendants' sales was made pursuant to a 10b5-1 plan.

118. Each Defendant sold MoneyGram stock—sometimes large quantities—at prices artificially inflated above $2.11, the 90-day average for the period from November 9, 2018 to February 6, 2019.

119. During the Class Period, Defendant Patsley made gross proceeds of $5,073,561.26 after selling 513,752 shares at inflated prices between $5.30 and $20.08 per share. Patsley's largest sale – over $2 million – was just a few months after the Company had announced temporary extensions of DPA I, and just six months before the Company finally admitted its egregious breaches of DPA I and the 2009 FTC Order. Patsley had not sold any shares of her MoneyGram stock for at least 4 years before the Class Period. Patsley's Class Period sales are set forth below:

Officer	Date of Transaction	Number of Shares	Price per Share	Sale Proceeds
Patsley, Pamela H	2/2/2018	186,354	$11.65	$2,171,024.10
Patsley, Pamela H	2/24/2017	19,364	$12.77	$247,278.28
Patsley, Pamela H	2/25/2017	90,303	$12.79	$1,154,975.37
Patsley, Pamela H	2/23/2017	31,966	$12.75	$407,566.50
Patsley, Pamela H	2/24/2016	19,480	$5.32	$103,633.60
Patsley, Pamela H	2/25/2016	90,302	$5.30	$478,600.60
Patsley, Pamela H	2/12/2016	55,047	$5.63	$309,914.61
Patsley, Pamela H	2/24/2015	19,132	$8.59	$164,343.88
Patsley, Pamela H	2/24/2014	1,804	$20.08	$36,224.32
TOTAL:		**513,752**		**$5,073,561.26**

120. During the Class Period, Defendant Holmes made $2,107,830.90 in gross proceeds after the sale of 195,109 shares of MoneyGram common stock at between $5.30 and $20.08 per share. Holmes's trades began to accelerate rapidly in 2016, while the fraud interdiction software was failing, and continued through early 2018, just a few months after the Company had announced temporary extension of DPA I, and just six months before the Company was forced to admit it had breached DPA I and 2009 Order. Holmes had not sold any shares for at least 2 years before the Class Period. Holmes's Class Period sales are set forth below:

Officer	Date of Transaction	Number of Shares	Price per Share	Sale Proceeds
Holmes, W. Alexander	2/22/2018	20,545	$11.31	$232,363.95
Holmes, W. Alexander	2/23/2018	44,592	$11.27	$502,551.84
Holmes, W. Alexander	2/25/2018	19,107	$11.33	$216,482.31
Holmes, W. Alexander	2/24/2017	3,926	$12.77	$50,135.02
Holmes, W. Alexander	2/25/2017	20,340	$12.79	$260,148.60
Holmes, W. Alexander	2/23/2017	47,538	$12.75	$606,109.50
Holmes, W. Alexander	2/24/2016	3,949	$5.32	$21,008.68
Holmes, W. Alexander	2/25/2016	20,340	$5.30	$107,802.00
Holmes, W. Alexander	2/12/2016	10,819	$5.63	$60,910.97
Holmes, W. Alexander	2/24/2015	2,529	$8.59	$21,724.11
Holmes, W. Alexander	2/24/2014	1,424	$20.08	$28,593.92
TOTAL:		**195,109**		**$2,107,830.90**

E. Defendants were Motivated to Conceal the Problems to Encourage a Successful Sale of the Company

121. During the Class Period, MoneyGram entertained two acquisition offers. On January 26, 2017, Alipay offered to buy MoneyGram for $880 million. Then on March 14, 2017, EuroNet offered to buy MoneyGram for $935 million, topping Alibaba's offer.[5]

[5] The Alipay merger was ultimately blocked by the United States government due to national security concerns and the Euronet merger did not come to pass.

122. For the potential Alipay sale, the April 4, 2017 Preliminary Proxy stated that each of the Defendants would receive compensation for their shares at the price of $13.25 per share – a number inflated far above $2.11, the 90-day average for the period from November 9, 2018 to February 6, 2019.

123. Disclosing the truth about MoneyGram's compliance problems, the impact of compliance efforts on revenue, the efficacy of MoneyGram's fraud prevention systems and technology, and the spike in fraudulently induced money transfers would have negatively impacted the stock price and likely discouraged major buyers for MoneyGram. The sale opportunities therefore further support a finding of scienter.

F. Former Employee Whistleblower Confirms DOJ and FTC's Findings

124. Finally, that the Defendants acted with scienter is supported by Juan Lozada-Leoni's whistleblower suit filed with the Department of Labor on September 28, 2017 and in federal court on January 23, 2019.[6] Mr. Lozada-Leoni is a former Senior Manager for the U.S. Regional Compliance Team at MoneyGram. The complaint and sworn deposition testimony raise many of the same problems identified by the DOJ and FTC and corroborated by Confidential Witness 1, including MoneyGram's failure to monitor agents (including high-risk agents), problems with the fraud interdiction system and pressure to conceal information from the monitor.

125. Additionally, in his complaint, Mr. Lozada-Leoni alleges that he was terminated in retaliation for expressing concerns about MoneyGram's compliance with DPA I (including failure to block fraudsters and adequately monitor agents) and that MoneyGram discouraged employees from speaking candidly with the monitor team. He testified that Head of Compliance for the

[6] *Juan Lozada-Leoni v. MoneyGram*, No. 2018-SOX-00004 (Dept. of Labor Sept. 28, 2017); *Juan Lozada-Leoni v. MoneyGram*, No. 5:19-cv-00011-RWS-CMC (E.D. Tex. Jan. 23, 2019).

Americas, Juan Manuel Gonzalez, boasted to Head of Global Programs Eli Morillo about excluding the monitor team from a meeting with Walmart (a major MoneyGram client). Mr. Lozada-Leoni also said that Gonzalez encouraged compliance members to "shape the message" to the monitor team during joint fraud and money laundering audit visits.

126. Lozada-Leoni's independent corroboration of these events *prior to* the issuance of DPA II and the 2018 FTC Order, including the role of MoneyGram managers in concealing information from the monitor team, supports a further inference of scienter.

VI. FALSE AND MISLEADING STATEMENTS AND OMISSIONS

127. Despite MoneyGram's compliance problems stretching back well before the Class Period even began, throughout the Class Period Defendants misled investors by issuing a series of false and misleading statements and omissions of material fact concerning MoneyGram's compliance efforts, the impact of compliance efforts on revenue, the efficacy of MoneyGram's fraud prevention systems and technology, and the spike in fraudulently induced money transfers.

128. Defendants made the following false and misleading statements during the Class Period:

A. False and Misleading Statements and Omissions in 2014

129. On February 11, 2014 (the first day of the Class Period), MoneyGram issued a press release on Form 8-K filed with the SEC and signed by Defendant Patsley touting MoneyGram's compliance investments and prevention of fraud losses, stating:

> ***Since 2009, MoneyGram has invested more than $120 million in its compliance and anti-fraud programs and has successfully prevented more than $365 million in fraud losses, with $135 million prevented in 2013***. The Company will ***continue to advance its leadership in global compliance*** by implementing market-leading systems, technology, and processes, and increasing agent oversight around the world.

130. The bold statement in the foregoing that MoneyGram has "*invested more than $120 million in its compliance and anti-fraud programs and has successfully prevented more than $365 million in fraud losses, with $135 million prevented in 2013"* was false and/or misleading and omitted material facts. This statement implies that MoneyGram has made the necessary investments to prevent fraud and in fact is successfully preventing fraud, but at the time this statement was made, fifteen months had elapsed since the entry of DPA I and five years since the 2009 FTC Order, yet MoneyGram was still woefully deficient in its compliance programs – which the Company described as its "core" systems. Indeed, MoneyGram was in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, because the Company:

a. failed to conduct requisite fraud investigations, suspend implicated locations pending completion of the investigation, or terminate locations that were likely complicit in fraud,
b. implemented lesser standards for small "mom-and-pop" operators than for large chains – MoneyGram's largest clients,
c. established disciplinary standards for large chain agents that were unsupported by the 2009 FTC Order, terminating a large chain agent only if the Chain Agent itself was complicit in fraud, rather than individually reviewing each location, assessing its individual compliance, and disciplining it if appropriate,
d. created guidelines for the Financial Intelligence Unit that had unreasonably high thresholds for agent suspension and termination,
e. failed to monitor agent transfer activity and thus allowed known fraud rings to operate at MoneyGram locations,
f. did not discipline agents who were ordered to conduct consumer fraud training as a remedial measure but failed to complete the training,
g. failed to conduct comprehensive due diligence, which allowed agents to work with MoneyGram even if they had been shut down by MoneyGram's competitors for fraud,
h. failed to record all consumer complaints and share those complaints with the FTC,
i. did not suspend *any* locations of a particularly large chain agent from before the Class Period until mid-2017, even where locations had high levels of fraud, failed to train employees, or were otherwise non-compliant with MoneyGram's policies and procedures, and
j. failed to train all agents on preventing consumer fraud, as demonstrated by a 2014 audit of a large chain agent showing that 1,863 "primary and secondary" employees

> who processed money transfers had not completed either initial or ongoing training, and 68% of secondary employees had no training at all.

131. The bold statement in the foregoing paragraph that the Company was "*continu[ing] to advance its leadership in global compliance*" was false and/or misleading and omitted material facts. To "continue" to be a leader in global compliance implies that MoneyGram *is already* a leader in global compliance, but in fact, at the time this statement was made, fifteen months had elapsed since the entry of DPA I and five years since the 2009 FTC Order, yet MoneyGram was still woefully deficient in its compliance programs – which the Company described as its "core" systems. Indeed, MoneyGram was in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j.

132. On March 3, 2014 in a Form 10-K filed with the SEC and signed by Defendants Patsley, Holmes, Garza, Lawry, Rao, and Turner, MoneyGram stated:

> ***Since 2009 we have invested over $120.0 million in our compliance and anti-fraud programs and prevented more than $365.0 million in fraud losses during the same time period***
> . . .
> ***In December of 2013, we launched our Compliance Enhancement Program, which is focused on*** *improving our services for the consumers and* ***completing the programs recommended in adherence with the DPA***.

133. The bold statement in the foregoing paragraph that MoneyGram has "invested over $120.0 million" in compliance and anti-fraud programs and "prevented more than $365.0 million in fraud losses" from 2009 to present was false and/or misleading and omitted material facts because it suggests MoneyGram is investing sufficient funds and taking adequate measures to effectively prevent fraud. At the time this statement was made, however, nearly two years had elapsed since the entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous

requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j.

134. The bold statement in the foregoing paragraph that MoneyGram's "*Compliance Enhancement Program is focused on . . . completing the programs recommended in adherence with the DPA*" was false and/or misleading and omitted material facts because it suggests MoneyGram is taking appropriate measures to ensure compliance with DPA I. At the time this statement was made, however, nearly two years had elapsed since the entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j.

135. On May 2, 2014 in a Form 10-Q filed with the SEC and signed by Holmes, MoneyGram stated:

> ***Our compliance enhancement program is focused on*** *improving our services for the consumers and* ***completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ.***

136. The bold statement in the foregoing paragraph that MoneyGram's "compliance enhancement program is focused on . . . completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ" was false and/or misleading and omitted material facts because it suggests MoneyGram is taking appropriate measures to ensure compliance with DPA I. At the time this statement was made, however, nearly two years had elapsed since the entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j.

137. On August 6, 2014 in a Form 10-Q filed with the SEC and signed by Holmes, MoneyGram stated:

> ***Our compliance enhancement program is focused on*** *improving our services for the consumers and* ***completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ.***

138. The bold statement in the foregoing paragraph that MoneyGram's "compliance enhancement program is focused on . . . completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ" was false and/or misleading and omitted material facts because it suggests MoneyGram is taking appropriate measures to ensure compliance with DPA I. At the time this statement was made, however, nearly two years had elapsed since the entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j.

139. On October 31, 2014 in a press release filed with the SEC on Form 8-K signed by Holmes, Patsley was quoted that MoneyGram's **compliance programs were "*executing well*" and the Company was "*pleased with the progress*" on compli**ance initiatives.

140. The bold statements in the foregoing paragraph that compliance programs were "executing well" and the Company was "pleased with the progress" were false and/or misleading and omitted material facts. At the time these statements were made, nearly two years had elapsed since the entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j.

141. On November 13, 2014, in a Form 10-Q filed with the SEC and signed by Holmes, MoneyGram stated:

> ***Our compliance enhancement program is focused on*** *improving our services for the consumers and* ***completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ.***

142. The bold statement in the foregoing paragraph that MoneyGram's "compliance enhancement program is focused on . . . completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ" was false and/or misleading and omitted material facts because it suggests MoneyGram is taking appropriate measures to ensure compliance with DPA I. At the time this statement was made, however, two years had elapsed since the entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j.

B. False and Misleading Statements and Omissions in 2015

143. On May 1, 2015, MoneyGram filed with the SEC a Form 8-K, signed by Defendant Holmes, attaching a Press Release. The Press Release quoted Defendant Patsley, stating:

> Our financial results reflect the impact from a full quarter of both our new U.S.-to-U.S. low pricing and the grow-over of the competitive product, which significantly reduced revenue and cash flow in the first quarter. However, the resilience of our U.S. Outbound and Non-U.S. sends ***along with our investment*** in emerging *markets and* ***innovative new technologies are successfully positioning MoneyGram for a return to double-digit growth in the fourth quarter*** . . .
> . . .
> *We have made* ***significant progress*** *on our global transformation initiative with the April launch of the first module in our new* ***market-leading compliance system*** *and the opening of our new global business center in Poland earlier this year," said Patsley.*

> "*The global transformation program we announced in February of last year is a complex initiative requiring significant investment, steadfast dedication and broad coordination across the entire organization.* ***Midway through the program, I am pleased with our progress and recent success****. When fully implemented, this program will result in a more efficient company with enhanced global compliance capabilities. The entire MoneyGram team is energized and focused.*

144. The bold statement in the foregoing paragraph regarding the Company's April 2015 launch of a new "market-leading compliance system" was false and/or misleading and omitted material facts. "[M]arket-leading compliance system" suggests an effective system but that was not the case; at the time this statement was made, the Company's new fraud interdiction system implemented in April 2015 failed to block a substantial number of fraudulent transactions and was not replaced until October 2016, resulting in the Company processing at least $125 million in additional consumer fraud transactions between April 2015 and October 2016.

145. The bold statement in the foregoing paragraph attributing financial success to MoneyGram's "investment in … innovative new technologies" was false and/or misleading and omitted material facts. At the time this statement was made the Company's revenue and other metrics were inflated because the fraud interdiction system – a major new piece of technology supporting the compliance function – failed to block at least $125 million worth of fraudulent transactions between April 2015 and October 2016; because MoneyGram receives a transfer fee on each money transfer, even fraudulent transfers, its revenue numbers are artificially boosted by fraudulent transactions it should have blocked but allowed to proceed. The financial, transaction, and growth numbers reflect MoneyGram's failed fraud interdiction system, not investments in innovative technology.

146. Additionally, the bold statements in the foregoing paragraph regarding the Company's "significant progress" and "recent success" in compliance initiatives were each false

and/or misleading and omitted material facts. At the time these statements were made, two-and-a-half years had elapsed since DPA I and six years since the 2009 FTC Order, yet MoneyGram was still woefully deficient in its compliance programs and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j, and because MoneyGram:

k. Did not review certain large chain agents' locations from approximately March 2015 until at least March 2016, even though they met the required-review threshold in the 2009 FTC Order and did not even consider if disciplinary action was necessary at those locations,

l. changed the audit policy in 2015 to warn stores that they would be audited, but large chain agents still failed to consistently train their employees – and MoneyGram did not suspend those locations or take disciplinary action against the agents who failed to complete required training, and

m. implemented a new fraud interdiction system in April 2015 that failed to block a substantial number of fraudulent transactions and which they did not replace until October 2016, resulting in the Company processing at least $125 million in additional consumer fraud transactions between April 2015 and October 2016.

147. On May 4, 2015, MoneyGram filed a Form 10-Q with the SEC, signed by Holmes, stating:

> ***Our compliance enhancement program is focused on*** *improving our services for the consumers and* ***completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ.***

148. The bold statement in the foregoing paragraph that MoneyGram's "compliance enhancement program is focused on . . . completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ" was false and/or misleading and omitted material facts because it suggests MoneyGram is taking appropriate measures to ensure compliance with DPA I. At the time this statement was made, however, over two years had elapsed since the entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous requirements of the 2009 FTC

Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j, and paragraph 146, k-m.

149. On July 31, 2015, the Company conducted a quarterly earnings call to discuss its Q2 2015 financial results. Defendants Patsley and Holmes spoke during the call, and repeatedly touted the Company's impressive financial results for the quarter. Patsley stated:

> ***this was a really solid quarter for MoneyGram. Our results reflect significant progress MoneyGram has made toward executing the strategic initiative we outlined at the beginning of the year***. *We returned to constant currency growth,* ***posted the largest number of money transfer transactions in our history****, and accelerated both our self-service revenue and transaction growth.*

150. Patsley further stated that "***[t]otal money transfer transactions this quarter were the highest in our history***, growing 6% year over year. This is a significant improvement from flat year-over-year transaction growth last quarter." Regarding U.S. outbound and non-U.S. categories, Patsley noted growth of 14% percent, concluding "[c]learly this is ***exceptional growth on a large business base***."

151. Holmes agreed, adding that:

> *the second quarter represents an* ***inflection point for MoneyGram's top line****, and we delivered results that were slightly ahead of our internal expectations. We saw an impressive acceleration in our money transfer business and returned to total Company constant currency revenue growth in the quarter.*

152. Finally, Holmes noted, with respect to the Company's compliance enhancement program, "***[w]e believe the systems and program changes we're implementing position MoneyGram at the forefront of compliance programs in the money transfer industry.***"

153. The bold statements in the foregoing paragraphs regarding the Company's "exceptional" growth on a "large business base," positive financial results, positive transaction numbers, and "inflection point for MoneyGram's top line" were false and/or misleading and

omitted material facts. At the time these statements were made, the Company's revenue and other metrics were inflated because the fraud interdiction system failed to block at least $125 million worth of fraudulent transactions between April 2015 and October 2016; because MoneyGram receives a transfer fee on each money transfer, even fraudulent transfers, its revenue numbers are artificially boosted by fraudulent transactions it should have blocked but allowed to proceed. The financial, transaction, and growth numbers reflect MoneyGram's failed fraud interdiction system – they are not the result of a "large business base" and do not represent an "inflection point for MoneyGram's top line."

154. Additionally, the bold statements in the foregoing paragraph that MoneyGram's "systems and program changes" placed MoneyGram at the "forefront of compliance in the money transfer industry" were false and/or misleading and omitted material facts. At the time this statement was made, two-and-a-half years had elapsed since DPA I and MoneyGram was still woefully deficient in its compliance programs and in breach of numerous requirements of the 2009 FTC Order and DPA I, as enumerated in paragraph 130, a-j, and paragraph 146, k-m.

155. On August 3, 2015, MoneyGram filed a Form 10-Q with the SEC, signed by Holmes, stating:

> ***Our compliance enhancement program is focused on*** *improving our services for the consumers and* ***completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ.***

156. The bold statement in the foregoing paragraph that MoneyGram's "compliance enhancement program is focused on . . . completing the programs recommended in adherence with our settlement with the MDPA and U.S. DOJ" was false and/or misleading and omitted material facts because it suggests MoneyGram is taking appropriate measures to ensure compliance with DPA I. At the time this statement was made, however, nearly three years had elapsed since the

entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j, and paragraph 146, k-m.

157. On October 30, 2015, the Company conducted a quarterly earnings call to discuss its Q2 2015 financial results. Defendants Patsley and Holmes spoke during the call, and repeatedly touted the Company's impressive financial results for the quarter. Patsley stated: "*Now onto the **impressive results for the third quarter**, which show that our **strategies are on course and we're doing what we said we would do.***" Patsley further stated that "*[w]e are investing in a **world-class compliance engine that is not only core to our business but a true competitive advantage that we can leverage in the future***." Patsley closed her formal comments by saying, "Overall our strategic focus of growing in emerging markets ***along with our technological capabilities led to great results in the third quarter** and strongly positions us for future success*."

158. Holmes added:

> ***Being a leader in compliance** is so critical for us and not just for compliance with our DPA but also for relationships with banks and global initiatives around the world. We will continue to invest until we get it right, but we feel good about the outlook we have right now.*

159. The bold statements in the foregoing paragraph by Patsley that "our technological capabilities led to great results in the third quarter" and "impressive results for the fourth quarter" showing that "our strategies are on course and we're doing what we said we would do" were false and/or misleading and omitted material facts. At the time this statement was made, the Company's revenue and other metrics were inflated because the fraud interdiction system failed to block at least $125 million worth of fraudulent transactions between April 2015 and October 2016; because

MoneyGram receives a transfer fee on each money transfer, even fraudulent transfers, its revenue numbers are artificially boosted by fraudulent transactions it should have blocked but allowed to proceed. The fourth quarter results reflect artificial inflation caused by MoneyGram's failed fraud interdiction system, not positive financial growth from technological capabilities or "strategies" that are "on course" or the Company "doing what we said we would do."

160. The bolded statement in the foregoing paragraph by Patsley that the Company's investment in a "world-class compliance engine" provided a "true competitive advantage," were each false and/or misleading and omitted material facts. A "world-class compliance engine" that provides a "true competitive advantage" suggests that MoneyGram has an effective compliance engine, but at the time this statement was made the Company did not have a world-class compliance engine that provided a competitive advantage; it had a defective fraud interdiction system that failed to block fraudulent transactions.

161. The bold statement in the foregoing paragraph by Holmes that the Company is a "leader in compliance" was false and/or omitted material facts. At the time this statement was made, nearly three years had elapsed since DPA I and MoneyGram was still woefully deficient in its compliance programs and in breach of numerous requirements of the 2009 FTC Order and DPA I, as enumerated in paragraph 130, a-j, and paragraph 146, k-m.

C. False and Misleading Statements and Omissions in 2016

162. On February 11, 2016, the Company conducted a quarterly earnings call to discuss its Q4 2015 financial results. Defendant Holmes spoke during the call, and again touted the Company's impressive financial results for the quarter. Holmes stated:

> *2015 was a transition year for the Company as we repositioned our US to US business and **continued to invest** in Digital/Self-Service products, global consumer acquisition strategies, **compliance**, and agent productivity. Within this context, I'm pleased to say **we***

> ***delivered on our expectations for double-digit constant currency revenue and adjusted EBITDA growth for the quarter***. *We posted* ***double-digit transaction growth in US outbound and non-US sends and we also returned to transaction growth in US to US sends for the fourth quarter***.

163. Holmes further stated that, "[i]n 2015 we continued to make ***steady progress on our compliance enhancement program activities and rolled out key functionality***." Finally, Holmes stated:

> *Looking back over the past couple of years, I am* ***extremely pleased with all of the progress that we have made***. *We've completely overhauled our on-line experience, launched kiosks, added millions of mobile wallets, connected to almost 2 billion bank accounts and* ***made investments into our core compliance and point of sale technology.***

164. The bold statements in the foregoing paragraph that because the Company "continued to invest in … compliance" it "delivered on [its] expectations for" growth were false and/or misleading and omitted material facts. At the time these statements were made, over three years had elapsed since DPA I and MoneyGram was still woefully deficient in its compliance programs and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j, and paragraph 146, k-m, and the Company's revenue and other metrics were inflated because the fraud interdiction system failed to block at least $125 million worth of fraudulent transactions between April 2015 and October 2016; because MoneyGram receives a transfer fee on each money transfer, even fraudulent transfers, its revenue numbers are artificially boosted by fraudulent transactions it should have blocked but allowed to proceed. The financial, transaction, and growth numbers reflect artificial inflation caused by MoneyGram's failed fraud interdiction system – they are not the result of compliance investments.

165. Additionally, the bolded statements in the foregoing paragraph that the Company was making "steady progress" on compliance and rolling out "key functionality" with respect to its compliance enhancement program were false and/or misleading and omitted material facts. At the time these statements were made, over three years had elapsed since DPA I and MoneyGram was still woefully deficient in its compliance programs and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j, and paragraph 146, k-m.

166. Finally, the bolded statement that Holmes is "pleased with all of the progress" including "investments into our core compliance" function is false and/or misleading and omitted material facts. At the time this statement was made, over three years had elapsed since DPA I and MoneyGram was still woefully deficient in its compliance programs and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j, and paragraph 146, k-m.

167. On March 2, 2016, MoneyGram filed a Form 10-K with the SEC, signed by Holmes, Patsley, Angelilli, Garza, Lawry, Rao, and Turner, stating:

> ***Our compliance enhancement program is focused on*** *improving our services for the consumers and* ***completing the programs recommended in adherence with our settlement with the U.S. Attorney's Office for the Middle District of Pennsylvania ("MDPA") and the Asset Forfeiture and Money Laundering Section of the Criminal Division of the Department of Justice ("U.S. DOJ").***

168. The bold statement in the foregoing paragraph that MoneyGram's "compliance enhancement program is focused on . . . completing the programs recommended in adherence with" DPA I was false and/or misleading and omitted material facts because it suggests MoneyGram is taking appropriate measures to ensure compliance with DPA I. At the time this

statement was made, however, over three years had elapsed since the entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j, and paragraph 146, k-m.

169. On October 28, 2016, the Company conducted a quarterly earnings call to discuss its Q3 2015 financial results ("Q3 2016 Earnings Call"). Defendant Holmes spoke during the call, repeatedly touting the Company's revenue growth and the positive progress with the Company's compliance program. Holmes stated:

> ***We're making some significant progress on our compliance program,*** *and as always, it's important to recognize the hard work internally by all of the employees. As we have changed our systems and added new functionality,* ***one of the things I have talked about a little bit over the last couple of years has been the tuning of the system. And when you put new things in, I think they tend to hit a little bit harder than intended as we tune them and then try to get the pieces right.***
>
> ***We actually just put in some new changes to a lot of our global compliance screening technology just a few weeks ago, which has had a fantastic impact on our business, and is really freeing up more transactions than we had before*** *and really isolating the variables down to those transactions that are more risk and of more concern to us. So we are very excited about that.* ***Our fraud losses have dropped tremendously internally****, and that is not online risk management fraud, but this is consumer scam fraud, which is obviously something that we fight hard against and is a big concern to state and federal government agencies who are looking at ensuring that money transfer companies are reducing fraud at an accelerated rate and protecting consumers in more dynamic ways.*
>
> . . .
>
> ***We have reached a point with the monitor where they have*** *– begun kind of looking at what we have implemented. They are doing testing of certain systems and* ***checking things off the list. So I think we are making good progress there****.*

. . .

> *What's fantastic about it is that I think all of the* ***hard work is being recognized by governments around the world . . .*** *I think [this] will put us in a very unique position…****a competitive advantage for us as we move into the next cycle here.***

170. The bolded statements in the foregoing paragraph that the "new changes" to the global compliance screening technology have "had a fantastic impact on our business, and is really freeing up more transactions than we had before" were each false and/or misleading and omitted material facts. This change references the replacement of the defective fraud interdiction system implemented in April 2015 and which the Company did not replace until October 2016 (the month of this statement). MoneyGram admitted that the defective fraud interdiction system resulted in the Company processing at least $125 million in additional consumer fraud transactions between April 2015 and October 2016; because MoneyGram receives a transfer fee on each money transfer, even fraudulent transfers, its revenue numbers are artificially boosted by fraudulent transactions it should have blocked but allowed to proceed. The new system referenced in Holmes's statement was actually effective at blocking fraudulent transactions; the new system did not "free[] up more transactions," but rather the exact opposite -- the new program *caught and blocked more* fraudulent transactions. The new system therefore did not have a "fantastic impact on [MoneyGram's] business;" MoneyGram's revenue and other metrics had been artificially inflated due to the Company's failure to prevent fraud effectively, and switching to a system that caught and blocked more fraudulent transactions resulted in processing fewer MoneyGram transactions, thus causing MoneyGram's money transfer fees and revenue to go down.

171. The bolded statement in the foregoing paragraph that the global compliance screening technology had been "tune[d]" was false and/or misleading and omitted material facts. The changes to the Company's fraud interdiction system in October 2016 were couched as fine

"tuning" but at the time this statement was made, the Company was forced to switch to an *entirely new* screening program due to the catastrophic failure of the previous technology between April 2015 to October 2016.

172. The bolded statements in the foregoing paragraph concerning fraud losses dropping "tremendously" because of the changes to the global compliance screening technology is false and/or misleading and omitted material facts. The statement omits that MoneyGram experienced a tremendous *spike* in fraud from 2012 to 2016 due to MoneyGram's failure to prevent fraud, including that the fraud interdiction system was defective from April 2015 to October 2016. The statement omits that overall revenue would be negatively impacted because for the last eighteen months it was artificially inflated by the failed fraud interdiction system, a trend that would reverse after the system was replaced in October 2016.

173. The bolded statements that the monitor was "checking things off the list" and MoneyGram was "making good progress" were false and/or misleading and omitted material facts. At the time this statement was made, nearly four years had elapsed since DPA I and MoneyGram was still woefully deficient in its compliance programs and in breach of numerous requirements of the 2009 FTC Order and DPA I, as enumerated in paragraph 130, a-j and paragraph 146, k-l. Indeed, that very month MoneyGram replaced its fraud interdiction system because it was defective from April 2015 to October 2016.

174. Finally, the bolded statement that MoneyGram's "hard work" was being recognized by "governments around the world" and that the Company's compliance programs provided a unique "competitive advantage" were false and/or misleading and omitted material facts. At the time this statement was made, nearly four years had elapsed since DPA I and MoneyGram was still woefully deficient in its compliance programs and in breach of numerous requirements of the

2009 FTC Order and DPA I, as enumerated in paragraph 130, a-j, and paragraph 146, k-l. Indeed, that very month MoneyGram replaced its fraud interdiction system because it was defective from April 2015 to October 2016.And MoneyGram did not have a "competitive advantage" – it had a major problem that caused the stock price to crater and the Company to pay a $125 million and undergo additional years of monitoring and mandatory compliance reforms.

D. False and Misleading Statements and Omissions in 2017

175. On March 16, 2017, the Company filed a Form 10-K with the SEC, which provided the Company's financial results and position for the fiscal year ended December 31, 2016 (the "2016 10-K"). The 2016 10-K was signed by Defendants Holmes, Patsley, Angelilli, Garza, Lawry, Turner, and Rao. The 2016 10-K stated:

> *In 2016,* ***the increase in money transfer fee and other revenue was primarily driven by increased Non-U.S. and U.S. outbound money transfer volume*** *discussed further below and a positive change in corridor mix, partially offset by the stronger U.S. dollar compared to prior year.*
> . . .
> ***Our compliance enhancement program is focused on*** *improving our services for consumers and* ***completing the programs recommended in adherence with the DPA.***

176. The bold statements in the foregoing paragraph stating that increased revenue in 2016 was caused by increased outbound money transfer volume was false and/or misleading and omitted material facts. During 2016, the Company's fraud interdiction system failed to block at least $125 million worth of fraudulent transactions between April 2015 and October 2016; because MoneyGram receives a transfer fee on each money transfer, even fraudulent transfers, its revenue numbers are artificially boosted by fraudulent transactions it should have blocked but allowed to proceed. The increased money transfer fees and volume reflect *artificial inflation* caused by

MoneyGram's failed fraud interdiction system (which Defendants omitted to mention), not positive business growth, as Defendants suggest.

177. The bold statement in the foregoing paragraph that MoneyGram's "compliance enhancement program is focused on . . . completing the programs recommended in adherence with" DPA I was false and/or misleading and omitted material facts because it suggests MoneyGram is taking appropriate measures to ensure compliance with DPA I. At the time this statement was made, however, nearly two years had elapsed since the entry of DPA I and MoneyGram was still woefully deficient in its compliance programs – which the Company described as "core" systems -- and in breach of numerous requirements of the 2009 FTC Order and DPA I, as was later revealed by the FTC and DOJ, as enumerated in paragraph 130, a-j, and paragraph 146, k-l.

VII. ITEM 303 OF SEC REGULATION S-K, 17 C.F.R. § 229.303

178. Pursuant to Item 303 and the SEC's related interpretive guidance, an issuer is required to disclose known trends, uncertainties or risks that have had, or are reasonably likely to have, a materially adverse impact on net sales or revenues or income from continuing operations. Such disclosure is required by an issuer in the management's discussion and analysis section of annual and quarterly filings, such as Form 10-K and 10-Q filings for domestic issuers.

179. In May 1989, the SEC issued an interpretive release on Item 303 which set forth the following test to determine if disclosure under Item 303(a) is required:

> Where a trend, demand, commitment, event or uncertainty is known, management must make two assessments:
>
> (1) Is the known trend, demand, commitment, event or uncertainty likely to come to fruition? If management determines that it is not reasonably likely to occur, no disclosure is required.

> (2) If management cannot make that determination, it must evaluate objectively the consequences of the known trend, demand, commitment, event or uncertainty, on the assumption that it will come to fruition. Disclosure is then required unless management determines that a material effect on the registrant's financial condition or results is not reasonably likely to occur.

180. Throughout the Class Period, Item 303 required Defendants to disclose:

a. that MoneyGram's belated efforts to comply with DPA I would lead to lower profits, transactions, and revenue;
b. the dramatic increase in consumer fraud complaints between 2012 and 2016;
c. the known failure of the Company's fraud interdiction system between April 2015 and October 2016;
d. the failure to place any restriction on any locations of a certain large chain until approximately May 2017, even when the locations had high levels of fraud;
e. the failure to take disciplinary action against large chain agents despite "a range of suspicious activities";
f. that the Company established ineffective standards for disciplinary actions involving large chain agents;
g. the failure to appropriately and adequately monitor agent activity to prevent fraud-induced money transfers;
h. the failure to provide appropriate training to all agents and to ensure agents were properly training all of their own employees:
i. the failure to ensure that high-fraud agent locations promptly trained their employees to prevent future consumer fraud;
j. the failure to perform proper due diligence on all agents;
k. the failure to record all complaints relating to fraud-induced money transfers, and to share information about them with the FTC;
l. the failure to detect and prevent consumer fraud;
m. that from March 2015 until at least March 2016, the Company failed to "conduct the required individual reviews of agent locations for certain large chain agents that met the review thresholds" and failed to "even consider whether any type of disciplinary action was necessary at those locations"; and
n. the effects of the foregoing on compliance with regulatory and legal requirements, including DPA I and the 2009 FTC Order.

181. Each of the foregoing constituted a known trend, demand, commitment, event, or uncertainty which was reasonably likely to, and ultimately did, have a material adverse impact on the Company's net sales, revenues, or income as the Company was forced to expend at least hundreds of millions of dollars in connection with DPA II and the 2018 FTC Order.

VIII. CLASS ACTION ALLEGATIONS

180. Lead Plaintiffs bring this class action pursuant to Federal Rules of Civil Procedure 23(a) and 23(b) on their own behalf and on behalf of:

> All persons and entities, their agents, successors in interest, assigns, heirs, executors, and administrators who purchased MoneyGram securities during the period between February 11, 2014 through and including November 8, 2018, and who were damaged thereby (the "Class"). Excluded from the Class are defendants and their families, the officers and directors and affiliates of defendants, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns, and any entity in which defendants have or had a controlling interest.

182. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of members of the Class is unknown to Lead Plaintiffs at this time and can only be ascertained through appropriate discovery, Lead Plaintiffs believes that there are thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by MoneyGram or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

183. Lead Plaintiffs' claims are typical of the claims of the Class in that all Class members were damaged by the same wrongful conduct of Defendants as alleged herein, and the relief sought is common to the Class.

184. Numerous questions of law or fact arise from Defendants' conduct that is common to the Class, including but not limited to:

a. whether the federal securities laws were violated by Defendants' acts during the Class Period, as alleged herein;
b. whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations, and legal/regulatory compliance of MoneyGram;

c. whether the price of MoneyGram securities was artificially inflated and/or maintained during the Class Period; and
d. to what extent the members of the Class have sustained damages and the proper measure of damages.

185. These and other questions of law and fact are common to the Class and predominate over any questions affecting only individual Class members.

186. Lead Plaintiffs will fairly and adequately represent the interests of the Class in that they have no conflict with any other members of the Class. Furthermore, Lead Plaintiffs have retained competent counsel experienced in class action and other complex litigation.

187. Defendants have acted on grounds generally applicable to the Class, thereby making final injunctive relief appropriate with respect to the Class as a whole.

188. This class action is superior to the alternatives, if any, for the fair and efficient adjudication of this controversy. Prosecution as a class action will eliminate the possibility of repetitive litigation. There will be no material difficulty in the management of this action as a class action.

189. The prosecution of separate actions by individual Class members would create the risk of inconsistent or varying adjudications, establishing incompatible standards of conduct for Defendants.

IX. LOSS CAUSATION AND ECONOMIC LOSS

190. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated and/or maintained the price of MoneyGram securities and operated as a fraud or deceit on Class Period purchasers of MoneyGram securities by failing to disclose and misrepresenting the adverse facts detailed herein. As Defendants' prior misrepresentations, omissions, and fraudulent conduct were disclosed through a series of partial corrective disclosures and became apparent to the market, the price of

MoneyGram securities declined significantly as the prior artificial inflation came out of MoneyGram's common stock price.

191. As a result of their purchases of MoneyGram securities during the Class Period, Lead Plaintiffs and the other Class members suffered economic loss, *i.e.* damages, under the federal securities laws.

192. By concealing from investors the adverse facts detailed herein, Defendants presented a misleading picture of the Company, including that Defendants made materially false and/or misleading statements and failed to disclose material adverse facts about the Company's fraud prevention systems, compliance with the 2009 FTC Order and DPA I, and the impact of fraud on MoneyGram's revenue. When the truth about MoneyGram was revealed to the market through a series of partial corrective disclosures, the price of MoneyGram common stock fell significantly. This decline removed the inflation from the price of MoneyGram securities, causing real economic loss to investors who had purchased MoneyGram securities during the Class Period.

193. The economic loss, *i.e.* damages, suffered by Lead Plaintiffs and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate and/or maintain the price of MoneyGram securities and the subsequent decline in the value of the securities when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

X. APPLICABILITY OF PRESUMPTION OF RELIANCE—FRAUD ON THE MARKET DOCTRINE AND *AFFILIATED UTE* ALLEGATIONS

194. Lead Plaintiffs are entitled to a presumption of reliance under *Affiliated Ute Citizens of Utah v. U.S.*, 406 U.S. 128 (1972), because the claims asserted herein against Defendants are predicated in part upon material omissions of fact that Defendants had a duty to disclose.

195. In the alternative, Lead Plaintiffs are entitled to a presumption of reliance on Defendants' material misrepresentations and omissions pursuant to the fraud-on-the-market doctrine because, at all relevant times, the market for MoneyGram securities was an efficient market for the following reasons, among others:

a. MoneyGram common stock met the requirements for listing, and was listed and actively traded, on the Nasdaq, a highly efficient, electronic stock market;
b. As a regulated issuer, MoneyGram filed periodic public reports with Nasdaq;
c. MoneyGram regularly communicated with public investors via established market communication mechanisms, including regular disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and
d. MoneyGram was followed by securities analysts employed by major brokerage firms, including JPMorgan, Wells Fargo Securities, LLC, and Compass Point Research & Trading LLC, who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

XI. NO SAFE HARBOR

196. The statutory safe harbor applicable to forward-looking statements under certain circumstances does not apply to any of the false and misleading statements pled in this Amended Complaint.

197. Either the statements complained of herein were not forward-looking statements, but rather were historical statements or statements of purportedly current facts and conditions at the time the statements were made, or to the extent there were any forward-looking statements, MoneyGram's verbal "Safe Harbor" warnings accompanying its oral forward-looking statements issued during the Class Period were ineffective to shield those statements from liability.

198. Furthermore, the statutory safe harbor does not apply to statements included in financial statements that purportedly were made in accordance with GAAP, such as MoneyGram's Forms 10-K and 10-Q issued throughout the Class Period.

199. To the extent that any of the false and misleading statements alleged herein can be construed as forward-looking, those statements were not accompanied by meaningful cautionary language identifying important facts that could cause actual results to differ materially from those in the statements.

200. To the extent that any of the false and misleading statements alleged herein can be construed as forward-looking, Defendants are liable for those false or misleading statements because, at the time each such statement was made, the speaker knew the forward-looking statement was false or misleading and the forward-looking statement was authorized and/or approved by an executive officer of MoneyGram who knew that the forward-looking statement was false. None of the historic or present tense statements made by Defendants were assumptions underlying or relating to any plan, projection, or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by Defendants expressly related to, or stated to be dependent on, those historic or present tense statements when made.

XII. CAUSES OF ACTION

COUNT ONE

Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against All Defendants)

201. Lead Plaintiffs repeat and re-allege the above paragraphs as though fully set forth herein.

202. During the Class Period, Defendants disseminated or approved the materially false and misleading statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

203. Defendants:

a. employed devices, schemes, and artifices to defraud;
b. made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and
c. engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

204. Lead Plaintiffs and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for MoneyGram securities. Lead Plaintiffs and the Class would not have purchased MoneyGram securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

205. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiffs and the other members of the Class suffered damages in connection with their purchases of MoneyGram securities during the Class Period.

COUNT TWO
Violation of Section 20(a) of the Exchange Act
(Against the Individual Defendants)

206. Lead Plaintiffs repeat and re-allege the above paragraphs as though fully set forth herein.

207. The Individual Defendants acted as controlling persons of MoneyGram within the meaning of Section 20(a) of the Exchange Act as alleged herein. By reason of their positions as

officers and/or directors of MoneyGram, and their ownership of MoneyGram securities, and their culpable participation, as alleged above, the Individual Defendants had the power and authority to cause MoneyGram to engage in the wrongful conduct complained of herein.

208. By reason of such conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act.

XIII. JURY TRIAL DEMAND

209. Pursuant to Federal Rule of Civil Procedure 38(b), Lead Plaintiffs demands a trial by jury of all of the claims asserted in this Amended Complaint so triable.

XIV. PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiffs pray that the Court enter judgment on their behalf and on behalf of the Class herein, adjudging and decreeing that:

A. This action may proceed as a class action, with Lead Plaintiffs as the designated Class representatives and Lead Plaintiffs' counsel designated as Class Counsel;

B. Lead Plaintiffs and the members of the Class recover damages sustained by them, as provided by law, and that a judgment in favor of Lead Plaintiffs and the Class be entered against the Defendants, jointly and severally, in an amount permitted pursuant to such law;

C. Defendants, their subsidiaries, affiliates, successors, transferees, assignees, and the respective officers, directors, partners, agents, and employees thereof and all other persons acting or claiming to act on their behalf be permanently enjoined and restrained from continuing and maintaining the conduct alleged herein;

D. Lead Plaintiffs and members of the Class be awarded pre-judgment and post-judgment interest, and that such interest be awarded at the highest legal rate from and after the date of service of the initial complaint in this action;

E. Lead Plaintiffs and members of the Class recover their reasonable costs and expenses of this suit, including attorneys' fees and expert fees; and

F. Lead Plaintiffs and members of the Class receive such other and further relief as may be just and proper.

Dated: April 5, 2019

Respectfully submitted,

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EXHIBIT A

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA, v. MONEYGRAM INTERNATIONAL, INC., Defendant.	Case No. 1:12-cr-291

JOINT MOTION TO AMEND AND EXTEND
THE DEFERRED PROSECUTION AGREEMENT

The United States of America, by and through its attorneys of record at the United States Attorney's Office for the Middle District of Pennsylvania and the Money Laundering and Asset Recovery Section of the Department of Justice's Criminal Division (collectively, the "Department"), and Defendant MoneyGram International, Inc. (the "Company"), by and through its attorneys of record (collectively, the "Parties"), hereby stipulate and agree as follows:

1. On November 9, 2012, the United States filed a Deferred Prosecution Agreement that deferred prosecution of the Company for five years on a two-count Criminal Information charging aiding and abetting wire fraud, in violation of Title 18, United States Code, Sections 1343 and 2, and willfully failing to implement and maintain an effective anti-money laundering program in violation of the Bank Secrecy Act, Title 31, United States Code, Sections 5318(h) and 5322 (the

"Agreement"). ECF No. 3. As part of the Agreement, the Company, among other things, waived its right to an indictment and all rights to a speedy trial, and admitted, accepted, and acknowledged that it was responsible for the acts charged in the Information and Statement of Facts filed with the Agreement. MoneyGram also agreed to retain an independent Monitor who prepared annual reports regarding MoneyGram's compliance with the Bank Secrecy Act ("BSA") and the Agreement.

2. On November 28, 2012, the Court held a hearing in the matter. At that proceeding, the Court accepted the deferral of prosecution during the term of the Agreement. ECF No. 11.

3. The Agreement was scheduled to expire on November 9, 2017. To continue discussions concerning the Company's compliance with the Agreement, the Parties filed joint motions to extend the term of the Agreement. ECF Nos. 20, 22, 24, 26, 28, 30, and 32. The Court granted those motions extending the DPA through November 9, 2018. ECF Nos. 21, 23, 25, 27, 29, 31, and 33.

4. The Company has made progress during the term of the Agreement to comply with the requirements of the Agreement and to improve its anti-money laundering and anti-fraud compliance programs.

5. Despite making progress during the term of the Agreement, the Company has not implemented all of the required enhanced compliance undertakings set forth in the Agreement. In addition, the Company experienced

significant weaknesses in its anti-money laundering ("AML") and anti-fraud program during the term of the Agreement which caused a substantial rise in consumer fraud transactions. More specifically, in April 2015, the Company implemented a new fraud interdiction system that ultimately proved to be ineffective. In connection with the implementation of the new fraud interdiction system, and contrary to the Company's established policies, MoneyGram did not block a substantial number of transactions associated with consumers the Company previously identified as receiving fraud transactions. During the course of the Agreement, the Company did not adequately disclose these weaknesses to the Department and instead told the Department that the rise in consumer fraud transactions was substantially related to external circumstances. The Company's conduct during the original term of the Agreement placed the Company in breach of the Agreement. As a result of these failures, MoneyGram admits that it processed at least $125 million in additional consumer fraud transactions between April 2015 and October 2016.

6. The Company took steps to remediate the deficiencies in the newly implemented, but ineffective, fraud interdiction system by replacing it with an altogether new fraud interdiction system on October 11, 2016. This system remediated many of the deficiencies caused by the earlier interdiction system. During this same time period, the Company also made enhancements to its anti-

money laundering and anti-fraud compliance programs, including dedicating substantial resources to these programs and engaging a national consulting firm to assist the Company in developing and executing a risk-based plan to ensure that the Company's compliance programs satisfy the Agreement.

7. The Company is implementing and will continue to implement a compliance program reasonably designed to prevent and detect violations of the BSA, money laundering statutes, and other specified unlawful activity throughout its operations, including those of its affiliates, Agents (as defined in Attachment A to the Agreement), and joint ventures, and those of its contractors and subcontractors whose responsibilities include providing money transfer services as required by law or regulation, or Attachment C to the Agreement, including any amendments herein, which is incorporated by reference into the Agreement.

8. The Company is implementing and will continue to implement enhancements to its AML and anti-fraud compliance programs as described in Attachment C to the Agreement, including any amendments. To address any deficiencies in its AML and anti-fraud programs, the Company represents that it has undertaken, and will continue to undertake in the future, in a manner consistent with all of its obligations under the Agreement including any amendments, review and enhancement of its AML and anti-fraud programs, policies, procedures, and controls. If necessary and appropriate, the Company will adopt new or modify existing

programs, policies, procedures, and controls in order to ensure that the Company maintains (a) effective AML and anti-fraud programs that are reasonably designed to prevent the Company from being used to facilitate money laundering and the financing of terrorist activities; and (b) policies, including procedures and controls reasonably designed to detect, deter, and discipline violations of the BSA, money laundering, and fraud statutes by Agents and their owners, employees, officers, directors, consultants, contractors, subcontractors, or consumers. The reasonably designed AML and anti-fraud programs, policies, procedures and controls will include, but not be limited to, the minimum elements set forth in Attachment C, including any amendments.

9. The Company has further agreed to the forfeiture of $125 million. It is the intent of the Department that the forfeited funds will be made available to victims under the Petition for Remission and/or Mitigation procedures of the United States or any other manner within the United States' discretion. To fully comply with the Agreement and its amendments, the Company has acknowledged that it must make additional improvements to its AML and anti-fraud compliance programs.

10. In consideration of the foregoing, the Parties have agreed that an extension and amendment of the Agreement, including, but not limited to, the tolling of the Speedy Trial Act, through May 10, 2021 is required for the Company to fulfill its obligations under the Agreement. The Amendment to and Extension of Deferred

Prosecution Agreement is attached hereto as Exhibit 1. The Agreement is attached hereto as Exhibit 2. Certificates of Corporate Resolutions, the Company Officer, and Counsel are attached hereto as Exhibit 3.

WHEREFORE, based on all of the above, the Parties respectfully request the Court enter an Order deferring prosecution and trial on the Information until May 10, 2021 and excluding any time between the filing of the Information on November 9, 2012 and May 10, 2021 pursuant to Title 18, United States Code, Section 3161(h)(2).

Respectfully submitted,

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Middle District of Pennsylvania

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Counsel for MoneyGram International, Inc.

EXHIBIT 1

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA, v. MONEYGRAM INTERNATIONAL, INC., Defendant.	Case No. 1:12-cr-291

AMENDMENT TO AND EXTENSION OF DEFERRED PROSECUTION AGREEMENT

MoneyGram International, Inc. (the "Company") and the United States Department of Justice, Criminal Division, Money Laundering and Asset Recovery Section and the United States Attorney's Office for the Middle District of Pennsylvania (collectively, the "Department"), enter into this Amendment to and Extension of Deferred Prosecution Agreement (the "Amendment"), extending the term of the Deferred Prosecution Agreement entered on November 9, 2012, and currently in effect between the Company and the Department (the "Agreement"), until May 10, 2021 (the "Extended Term"). Unless expressly addressed herein, the terms and conditions of the Agreement will remain in full force and effect through the end of the Extended Term.

1. The Department and the Company enter into this Amendment based on the following factors:

a. continuing weaknesses in the Company's anti-money laundering ("AML") and anti-fraud programs, including the Company's failure, despite some progress during the original term of the Agreement, to successfully complete the implementation of the enhanced compliance undertakings required by the Agreement;

b. the Company's implementation of a new fraud interdiction system in April 2015 that ultimately proved to be ineffective and resulted in a failure by the Company, between April 2015 and October 2016, to block a substantial number of transactions associated with consumers the Company previously identified as receiving fraud transactions;

c. the Company's knowledge that the newly implemented fraud interdiction system was ineffective and its failure to adequately remediate this failure until October 2016;

d. the Company's inadequate disclosure of the weaknesses in the fraud interdiction system to the Department;

e. the Company's agreement to extend all terms of the Agreement through the Extended Term, including, but not limited to, the continued retention of

an independent compliance monitor and the waiver of the statute of limitations, as set forth in paragraph 16 of the Agreement;

f. the Company's agreement to additional compliance and reporting undertakings;

g. the Company's continued commitment to enhance its AML and anti-fraud compliance programs, including the dedication of substantial resources to such programs and the engagement of a national consulting firm to assist in the development and execution of a risk-based program to ensure that the Company can successfully meet its obligations under the law and the requirements contained in Attachment C to the Agreement, including any amendments;

h. the Company's commitment to timely add the names of individuals identified for interdiction as a result of Consumer Fraud Reports ("CFRs") as specified in Paragraph 20 below;

i. the Company's agreement to forfeit $125 million in proceeds related to consumer fraud loss in 2015 and 2016;

j. the Company's compliance with its cooperation obligations under the original Agreement, including by producing relevant documents, making its employees available for interviews, and collecting, analyzing, and organizing

relevant information for the Department, and the Company's agreement to continue to cooperate with the Department through the extension of the Agreement; and

k. the Company's continued cooperation with and contributions to law enforcement.

2. The third paragraph of the Agreement is amended to read as follows:

> 3. This Agreement is effective for a period beginning on the date on which the Information was filed and ending on May 10, 2021 (the "Extended Term"). However, the Company agrees that, in the event that the Department determines, in its sole discretion, that the Company has knowingly violated any provision of this Agreement, an extension or extensions of the Extended Term of the Agreement may be imposed by the Department, in its sole discretion, for up to a total additional time period of one year, without prejudice to the Department's right to proceed as provided in Paragraphs 16 through 19 below. Any extension of the Agreement extends all terms of this Agreement, including the terms of the monitorship in Attachment D, for an equivalent period. Conversely, in the event the Department finds, in its sole discretion, that there exists a change in circumstances sufficient to eliminate the need for the corporate compliance monitor in Attachment D, and that the other provisions of this Agreement have been satisfied, the Extended Term of the Agreement may be terminated early.

3. The twelfth paragraph of the Agreement is amended to read as follows:

> 12. The Company agrees that it will not employ or be affiliated with the Monitor for a period of not less than two years from the date on which the Monitor's term expires.

4. The fifteenth paragraph of the Agreement is amended to read as follows:

15. The Department further agrees that if the Company fully complies with all of its obligations under the Agreement and the Amendment, the Department will not continue the criminal prosecution against the Company described in paragraph 1 of the Agreement, or bring any criminal case against the Company, or any of its wholly owned or controlled subsidiaries, related to any information that the Company disclosed to the Department or the Monitor prior to the date on which this Amendment was signed, and, at the conclusion of the Extended Term, the Agreement and its Amendment shall expire. Within forty-five (45) days of the Agreement's expiration, the Department shall seek dismissal with prejudice of the criminal Information filed against the Company on November 9, 2012.

5. The Agreement is amended to include the following provision:

Certification

26. On the date that the Extended Term expires, the Company, by the Chief Executive Officer and the Chief Compliance Officer of the Company, after conducting a reasonable inquiry within the Company, will certify to the Department that, in good faith reliance on information provided to the Chief Executive Officer and Chief Compliance Officer by key employees within the Company, and based on their information and belief, the Company has met its obligations under this Agreement. Such certification will be deemed a material statement and representation by the Company to the executive branch of the United States for the purposes of Title 18, United States Code, Section 1001, and it will be deemed to have been made in the judicial district in which this Agreement is filed.

6. The seventh, eighth, and ninth paragraphs of Attachment C to the Agreement are amended to read as follows:

Agent Due Diligence Remediation

7. For Agents deemed by MoneyGram to be high risk or operating in a high risk area, MoneyGram will develop and implement a plan to conduct enhanced due diligence. On a monthly basis, MoneyGram will also calculate, with respect to each Agent location for the preceding month, the monetary value of (a) completed money transfers that were the subject of a Consumer Fraud Report ("CFR"), (b) other completed money transfers made to the receiver who was identified as a fraud perpetrator in any such CFR ("Related Receiver Transactions"), and (c) other completed money transfers made by the sender identified as a fraud victim in any such CFR, provided that such sender was also identified as a fraud victim in a second CFR within thirty (30) days of the first CFR ("Related Sender Transactions"). If the total combined monetary value of (a), (b), and (c) exceeded five percent (5%) of the total monetary value of money transfers paid by that Agent location[1] for each of the three preceding months, MoneyGram will suspend the Agent location's ability to conduct further money transfers pending a review to determine whether the Agent location can continue operating. Upon completion of the review, MoneyGram will, where appropriate, terminate, restrict, or discipline the Agent location.

Anti-Fraud Alert System and Anti-Fraud Program

8. The Company will ensure that all money-transfer transactions originating in the United States, regardless of destination, will be monitored by the Company's Anti-Fraud Program to identify and prevent potentially fraudulent transactions. The Anti-Fraud Program is defined as: the Anti-Fraud Alert System ("AFAS"); the Company's active interdiction system, including but not limited to the Internal Watch List; the Fraudster Interception Program; and all subsequent iterations and replacements of, and additions to, each of the foregoing.

[1] An Agent "location" includes Agent "outlets."

Transaction Monitoring

9.

a. The Company will develop and implement a risk-based program, using the best tools available, to test and verify the accuracy of the sender and receiver biographical and identification data entered into the transaction database by MoneyGram Agents.

b. The Company will review, within thirty (30) days of a CFR, the following money transfers for the purposes of considering whether to file a SAR, add consumers to the active interdiction system, create new Anti-Fraud Program rules, or conduct further investigation: (i) Related Receiver Transactions paid to the receiver identified in any such CFR during the period beginning thirty (30) days prior to the CFR and continuing until the date of the entry of such receiver into the Company's active interdiction system; (ii) Related Sender Transactions sent by the sender identified in any such CFR during the period beginning thirty (30) days prior to the CFR and continuing until the entry of the sender into the Company's active interdiction system. The Company, for the same purposes set forth in the first sentence of this paragraph, will also review within (30) days of a money transfer: (i) money transfers paid to a receiver who received, or sent by a sender who sent, three (3) or more money transfers at two (2) or more Agent locations within a twenty-four (24) hour period; and (ii) money transfers sent or received by an individual who provided the same social security or identification number as a different MoneyGram consumer within a rolling thirty (30) day period.

7. The twelfth paragraph of Attachment C to the Agreement is amended to require reporting to the Department on a monthly basis. The thirteenth and

fourteenth paragraphs of Attachment C to the Agreement are amended to read as follows:

Reporting Requirements[2]

13. The Company will provide the Department with a report every month of all MoneyGram Agents or Agent locations worldwide that were terminated, suspended, or restricted in any way during the previous month based on fraud or money laundering concerns or as a result of the Anti-Fraud Program and whether or not a SAR was filed concerning those Agents or Agent locations.

14. The Company will provide the Department with a report every month listing all Agent termination, suspension, or restriction recommendations by the Company's Fraud, Anti-Money Laundering, or Compliance Departments during the previous month based on fraud or money laundering concerns or as a result of the Anti-Fraud Program that were not accepted and an explanation of why. The Company should also indicate whether or not a SAR was filed concerning those Agents.

8. Attachment C to the Agreement is further amended to include the following additional compliance undertakings:

[2] MoneyGram shall submit the first reports required under this Amendment ninety (90) days after executing this Amendment or on the first business day thereafter. The first report shall provide information covering the period between the last report MoneyGram submitted to the Department under the original Agreement and the date of the new report, to the extent such information is available. MoneyGram shall submit every subsequent report monthly on the 20th day of each month or the first business day thereafter, reporting on the activity in the prior month.

Additional Reporting Requirements

16. The Company will provide the Department with a report every month identifying each Agent or Agent location the Company has identified as a subject of a SAR filed by the Company in the previous month.

17. The Company will provide the Department with a report every month identifying: (a) any new material modification to the Anti-Fraud Program (as defined in paragraph 8 above) in the previous month, including any new AFAS rules; and (b) the number of names added to the Company's active interdiction system in the previous month; and (c) the total number of names on any active interdiction system backlog.

18. The Company will, on a monthly basis, provide the Department with: (a) spreadsheets, in the form previously identified by the Department, containing information about CFRs and Related Sender and Receiver transactions; and (b) information regarding money transfers sufficient to determine the percentage of CFR and Related Sender and Receiver transactions relative to overall money transfers worldwide and by country.

19. For the period of the Extended Term plus one year, to the extent permitted by law, the Company will maintain in the United States and make available to the Department upon request: (a) all available electronic transaction details for any transfer refunded under the Anti-Fraud Program; and (b) for any SAR identifying as a subject an Agent or Agent location, or owner or employee of such Agent or Agent location, all available electronic transaction details relating to that SAR, including but not limited to the total volume and value of transactions that were the subject of a CFR and paid by such Agent or Agent location in the twelve (12) months preceding the SAR; and (c) the results of any SAR, CFR, or Related Sender or Receiver transaction investigation or review.

Interdiction System

20. Upon receipt of a complaint via the Company's "Core Channels" (customer service hotline, customer service email address, or online complaint form) about an alleged consumer-fraud-induced money transfer, the Company will, within two (2) business days, add to its active interdiction system (a) the receiver identified in the complaint and (b) the sender identified in the complaint provided that such sender has been identified in a CFR within the preceding thirty (30) days. Upon receipt of a complaint via any other channel, the Company will add such information to its active interdiction systems as soon as reasonably possible, pursuant to its interdiction policy. The Company will review whether it is loading and maintaining receivers and senders into the interdiction system in accordance with this paragraph on at least a monthly basis, and the Company will report the results of such reviews to the Department every month along with the other reporting required under this Agreement.

Additional Measures

21. The Company will designate an employee or employees to coordinate and be accountable for the Company's Anti-Fraud Program.

22. To the extent permitted by law, the Company will require all consumers worldwide to provide a government-issued identification document (ID) in order to initiate or receive money transfers through the Company's Agent network. The Company will direct its Agents to enter sufficient identifying information for interdiction purposes, including, to the extent permitted by law, the consumer's ID number, into its point-of-sale system.

23. Under certain circumstances, as agreed to by the Company and the Department, the Company will agree to refund to consumers certain fraud related transactions sent between the filing of this Amendment and the expiration of the Agreement. The Company agrees that it shall not file any petitions for remission, restoration, or any other assertion of ownership or request for return relating to any future

forfeitures associated with such refunded fraud related transactions, or any other action or motion seeking to collaterally attack the seizure, restraint, forfeiture, or conveyance of any future forfeitures associated with such refunded fraud related transactions, nor shall they assist any others in filing any such claims, petitions, actions, or motions. The Company agrees that it shall not seek or accept directly or indirectly reimbursement or indemnification from any source with regard to the refunded fraud related transactions that the Company pays pursuant to this Agreement.

24. The Company will comply with the Federal Trade Commission ("FTC") Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction, including but not limited to, provisions regarding identification, prevention, and reimbursement of fraudulently induced transactions; interdiction of certain consumers; establishment, implementation, and maintenance of a comprehensive anti-fraud program; due diligence, oversight, investigation, monitoring, discipline, suspension, and termination of Agents; and submission of relevant information regarding alleged fraud-induced money transfers for inclusion in the Consumer Sentinel Network.

9. Attachment D to the Agreement is amended to include the following provision:

11. The parties agree that the Company will provide the Monitor's report to the Federal Trade Commission within fifteen (15) days after receiving the final version of said report.

10. As a result of MoneyGram's conduct, including conduct related to the implementation of an ineffective fraud interdiction system in 2015, the Company agrees that the Department could institute a civil, criminal, and/or administrative forfeiture action against certain funds held by the Company, and that such funds

would be forfeitable pursuant to Title 18, United States Code, Sections 981 and 982. The Company agrees to forfeit to the United States the sum of $125 million ("the Additional Forfeiture Amount"). The Company hereby agrees that it is the sole owner of the funds and is transferring the funds unencumbered. The Company also agrees that, in the event the funds used to pay the Additional Forfeiture Amount are not directly traceable to or involved in transactions sent through the Company in violation of Title 18, United States Code Sections 1343 and 2, the monies used to pay the Additional Forfeiture Amount shall be considered substitute *res* for the purpose of forfeiture to the United States pursuant to Title 18, United States Code, Sections 981, 982, or Title 28, United States Code, Section 2461(c), and the Company releases any and all claims it may have to such funds. The Company waives all notice relating to any seizure or forfeiture of the Additional Forfeiture Amount. The Company agrees to execute any additional documents necessary to complete the forfeiture of the funds, including any forms evidencing the Company's consent to forfeiture and waiver of timely notice. The Company agrees that it shall not file any petitions for remission, restoration, or any other assertion of ownership or request for return relating to the Additional Forfeiture Amount, or any other action or motion seeking to collaterally attack the seizure, restraint, forfeiture, or conveyance of the Additional Forfeiture Amount, nor shall they assist any others in

filing any such claims, petitions, actions, or motions. The Company consents to the entry of a declaration of forfeiture and agrees the payments the Company had made and will make are final and the funds shall not be refunded should the Department later determine that the Company has breached this Agreement and commence a prosecution against the Company. The Company agrees that it shall not seek or accept directly or indirectly reimbursement or indemnification from any source with regard to the Additional Forfeiture Amount that the Company pays pursuant to this Agreement. Additionally, the Company agrees that it shall not claim, assert, or apply for, either directly or indirectly, any tax deduction, tax credit, or any other offset with regard to any U.S. federal, state, or local tax or taxable income of the Additional Forfeiture Amount paid pursuant to this Agreement. In the event of a breach of this Agreement and subsequent prosecution, the Department is not limited to the amounts previously forfeited from the Company. The Department agrees that in the event of subsequent breach and prosecution, it will recommend to the Court that the amounts paid pursuant to the Agreement be offset against whatever forfeiture the Court shall impose as part of its judgment. The Company understands that such a recommendation will not be binding on the Court.

11. The Company shall pay the sum of $70 million plus any associated transfer fees within ten (10) business days after the date this Court grants the

accompanying Order Tolling the Speedy Trial Act Pursuant to the Joint Motion to Amend and Extend the Deferred Prosecution Agreement, pursuant to payment instructions as directed by the Department in its sole discretion. The Company shall pay the remaining sum of $55 million plus any associated transfer fees within eighteen (18) months of the date this Amendment is executed, pursuant to payment instructions as directed by the Department in its sole discretion.

12. In consideration of the Company's: (a) ongoing and future cooperation; (b) payment of the Additional Forfeiture Amount; (c) implementation of remedial measures described in the Amendment; and (d) agreement to undertake further AML and anti-fraud compliance measures, the Department agrees that it will not assert any breach of the Agreement by the Company, or any of its wholly owned or controlled subsidiaries related to any information that the Company has disclosed to the Department or the Monitor prior to the date on which this Amendment was signed and agrees that any prosecution of the Company for the conduct set forth in the criminal Information filed against the Company on November 9, 2012, be and hereby is deferred for the Extended Term.

AGREED:

FOR MONEYGRAM INTERNATIONAL, INC.:

Date: November 7, 2018

By: _____
W. Alexander Holmes
Chief Executive Officer
MoneyGram International, Inc.

Date: Nov. 7, 2018

By: David Zinn/by SMC
David M. Zinn
Williams & Connolly LLP

FOR THE DEPARTMENT OF JUSTICE:

DAVID J. FREED
UNITED STATES ATTORNEY
Middle District of Pennsylvania

Date: 4/8/18 By: _____
Kim Douglas Daniel
Assistant U.S. Attorney

DEBORAH L. CONNOR
Chief, Money Laundering and
Asset Recovery Section
Criminal Division
U.S. Department of Justice

Date: 4/8/18 By: _____
Margaret A. Moeser
Senior Trial Attorney

EXHIBIT 2

UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

CASE NO. 12-291
J Conner

UNITED STATES OF AMERICA

v.

MONEYGRAM INTERNATIONAL, INC.,

Defendant.

/

FILED
HARRISBURG, PA
NOV 9 2012
MARY E. D'ANDREA, CLERK
Per

DEFERRED PROSECUTION AGREEMENT

Defendant MONEYGRAM INTERNATIONAL, INC. (the "Company"), by its undersigned representatives, pursuant to authority granted by the Company's Board of Directors, and the United States Department of Justice, Criminal Division, Asset Forfeiture and Money Laundering Section and the United States Attorney's Office for the Middle District of Pennsylvania (collectively, the "Department"), enter into this deferred prosecution agreement (the "Agreement"). The terms and conditions of this Agreement are as follows:

Criminal Information and Acceptance of Responsibility

1. The Company acknowledges and agrees that the Department will file the attached two count criminal Information in the United States District Court for the Middle District of Pennsylvania charging the Company with knowingly and intentionally aiding and abetting wire fraud, in violation of Title 18, United States Code, Sections 1343 and 2, and willfully failing to implement an effective anti-money laundering program, in violation of Title 31, United States Code, Section 5318(h) and regulations issued thereunder. In so doing, the Company: (a) knowingly waives its right to indictment on this charge, as well as all rights to a speedy trial

pursuant to the Sixth Amendment to the United States Constitution, Title 18, United States Code, Section 3161, and Federal Rule of Criminal Procedure 48(b); and (b) knowingly waives for purposes of this Agreement and any charges by the United States arising out of the conduct described in the attached Statement of Facts any objection with respect to venue and consents to the filing of the Information, as provided under the terms of this Agreement, in the United States District Court for the Middle District of Pennsylvania.

2. The Company admits, accepts, and acknowledges that it is responsible for the acts of its officers, directors, and employees as charged in the Information, and as set forth in the Statement of Facts attached hereto as Attachment A and incorporated by reference into this Agreement, and that the allegations described in the Information and the facts described in Attachment A are true and accurate. Should the Department pursue the prosecution that is deferred by this Agreement, the Company agrees that it will neither contest the admissibility of nor contradict the Statement of Facts in any such proceeding, including any guilty plea or sentencing proceeding. Neither this Agreement nor the criminal Information is a final adjudication of the matters addressed in such documents.

Term of the Agreement

3. This Agreement is effective for a period beginning on the date on which the Information is filed and ending five (5) years from that date (the "Term"). However, the Company agrees that, in the event that the Department determines, in its sole discretion, that the Company has knowingly violated any provision of this Agreement, an extension or extensions of the Term of the Agreement may be imposed by the Department, in its sole discretion, for up to a total additional time period of one year, without prejudice to the Department's right to proceed as provided in Paragraphs 16 through 19 below. Any extension of the Agreement extends all terms

of this Agreement, including the terms of the monitorship in Attachment D, for an equivalent period. Conversely, in the event the Department finds, in its sole discretion, that there exists a change in circumstances sufficient to eliminate the need for the corporate compliance monitor in Attachment D, and that the other provisions of this Agreement have been satisfied, the Term of the Agreement may be terminated early.

Relevant Considerations

4. The Department enters into this Agreement based on the individual facts and circumstances presented by this case and the Company. Among the facts considered were the following: (a) the Company's remedial actions taken to date described in the Statement of Facts; (b) the Company's willingness to acknowledge and accept responsibility for its actions; (c) the Company's commitment to continue to enhance its anti-fraud and anti-money laundering programs, including implementing and complying with the Enhanced Compliance Undertaking in Attachment C; (d) the Company's agreement to continue to cooperate with the Department in any ongoing investigation of the conduct of the Company and its officers, directors, employees, agents, agent employees and consultants relating to fraud, money laundering, and the failure to have an effective anti-money laundering program as provided in Paragraph 5 below; and (e) the Company's willingness to settle any and all civil and criminal claims currently held by the Department for any act within the scope of Statement of Facts.

Cooperation

5. The Company shall continue to cooperate fully with the Department in any and all matters relating to fraud-induced money transfers, money laundering, and its anti-money laundering program, subject to applicable laws and regulations. At the request of the Department, the Company shall also cooperate fully with other domestic or foreign law

enforcement authorities and agencies, in any investigation of the Company or any of its present and former officers, directors, employees, agents, agent employees and consultants, or any other party, in any and all matters relating to fraud-induced money transfers, money laundering, and its anti-money laundering program. The Company agrees that its cooperation shall include, but is not limited to, the following:

a. The Company shall truthfully disclose all factual information not protected by a valid claim of attorney-client privilege or work product doctrine with respect to its activities and those of its present and former directors, officers, employees, agents, agent employees and consultants concerning all matters related to fraud-induced money transfers, money laundering, and its anti-money laundering program about which the Company has any knowledge or about which the Department may inquire. This obligation of truthful disclosure includes the obligation of the Company to provide to the Department, upon request, any document, record or other tangible evidence relating to fraud-induced money transfers, money laundering, and its anti-money laundering program about which the Department may inquire of the Company.

b. Upon request of the Department, with respect to any issue relevant to its investigation of fraud-induced money transfers, money laundering, and its anti-money laundering program, the Company shall designate knowledgeable employees, agents or attorneys to provide the Department the information and materials described in Paragraph 5(a) above on behalf of the Company. It is further understood that the Company must at all times provide complete, truthful, and accurate information.

c. With respect to any issue relevant to the Department's investigation of fraud-induced money transfers, money laundering, and its anti-money laundering program, the

Company shall use its best efforts to make available for interview or testimony, as requested by the Department, present or former officers, directors, employees, agents, agent employees and consultants of the Company. This obligation includes, but is not limited to, sworn testimony before a federal grand jury or in federal trials, as well as interviews with federal law enforcement and regulatory authorities. Cooperation under this Paragraph shall include identification of witnesses who, to the knowledge of the Company, may have material information regarding the matters under investigation.

d. With respect to any information, testimony, documents, records or other tangible evidence provided to the Department pursuant to this Agreement, the Company consents to any and all disclosures, subject to applicable laws and regulations, to other governmental authorities, including United States authorities and those of a foreign government, of such materials as the Department, in its sole discretion, shall deem appropriate.

Forfeiture Amount

6. As a result of MoneyGram's conduct, including the conduct set forth in the Statement of Facts, the parties agree that the Department could institute a civil and/or criminal forfeiture action against certain funds held by MoneyGram and that such funds would be forfeitable pursuant to Title 18, United States Code, Sections 981 and 982 and Title 28, United States Code, Section 2461(c). MoneyGram hereby acknowledges that at least $100,000,000 was involved in the fraud schemes described in the Statement of Facts, and that such conduct violated Title 18, United States Code, Section 1343. In lieu of a forfeiture resulting from a criminal proceeding, MoneyGram hereby agrees to pay to the Department the sum of $100,000,000 (the "Forfeiture Amount"). MoneyGram hereby agrees that the funds paid by MoneyGram pursuant to this Agreement shall be considered substitute *res* for the purpose of forfeiture to the

Department pursuant to Title 18, United States Code, Sections 981, 982 or Title 28, United States Code, Section 2461(c), and MoneyGram releases any and all claims it may have to such funds. MoneyGram shall pay the Department the sum of $65,000,000 plus any associated transfer fees within five (5) business days of the date this Agreement is signed, pursuant to payment instructions as directed by the Department in its sole discretion. MoneyGram shall pay the Department the remaining sum of $35,000,000 plus any associated transfer fees within ninety (90) business days of the date this Agreement is signed, pursuant to payment instructions as directed by the Department in its sole discretion.

7. It is the intent of the Department that the forfeited funds will be restored to the victims of the fraud described in the Statement of Facts pursuant to 18 U.S.C. § 981(e)(6), under the Petition for Remission and/or Mitigation procedures of the United States Department of Justice or any other manner within the United States Attorney General's discretion.

Conditional Release from Liability

8. In return for the full and truthful cooperation of the Company, and its compliance with the other terms and conditions of this Agreement, the Department agrees, subject to Paragraphs 16 through 19 below, not to use any information related to the conduct described in the attached Statement of Facts against the Company in any criminal or civil case, except: (a) in a prosecution for perjury or obstruction of justice; or (b) in a prosecution for making a false statement. In addition, the Department agrees, except as provided herein, that it will not bring any criminal case against the Company or any of its wholly owned or controlled subsidiaries related to the conduct of present and former officers, directors, employees, agents, agent employees and consultants, as described in the attached Statement of Facts, or relating to

information that the Company disclosed to the Department prior to the date on which this Agreement was signed.

a. This Paragraph does not provide any protection against prosecution for any future involvement in fraud-induced money transfers, money laundering, or failing to maintain an effective anti-money laundering program by the Company.

b. In addition, this Paragraph does not provide any protection against prosecution of any present or former officers, directors, employees, agents, agent employees and consultants of the Company for any violations committed by them.

Enhanced Compliance Undertaking

9. The Company represents that, in addition to the enhancements it has already made to its anti-fraud and anti-money laundering programs as described in the Statement of Facts, the Company has or will also undertake, at a minimum, the enhanced compliance obligations described in Attachment C, which is incorporated by reference into this agreement, for the duration of this Agreement.

Corporate Compliance Monitor

10. Within sixty (60) calendar days of the filing of the Agreement and the accompanying Information, or promptly after the Department's selection pursuant to Paragraph 11 below, the Company agrees to retain an independent compliance monitor (the "Monitor") for the term specified in Paragraph 13. The Monitor's duties and authority, and the obligations of the Company with respect to the Monitor and the Department, are set forth in Attachment D, which is incorporated by reference into this agreement. Within thirty (30) calendar days after the execution of this Agreement, and after consultation with the Department, the Company will propose to the Department a pool of three qualified candidates to serve as the Monitor. If the

Department, in its sole discretion, is not satisfied with the candidates proposed, the Department reserves the right to seek additional nominations from the Company. The Monitor candidates shall have, at a minimum, the following qualifications:

a. demonstrated expertise with respect to the Bank Secrecy Act and federal anti-money laundering laws and regulations;

b. expertise reviewing corporate compliance policies, procedures and internal controls, including compliance with the Bank Secrecy Act and federal anti-money laundering laws and regulations;

c. the ability to access and deploy resources as necessary to discharge the Monitor's duties as described in the Agreement; and

d. sufficient independence from the Company to ensure effective and impartial performance of the Monitor's duties as described in the Agreement.

11. The Department retains the right, in its sole discretion, to choose the Monitor from among the candidates proposed by the Company, though the Company may express its preference(s) among the candidates. In the event the Department rejects all proposed Monitors, the Company shall propose another candidate within ten (10) calendar days after receiving notice of the rejection. This process shall continue until a Monitor acceptable to both parties is chosen. If the Monitor resigns or is otherwise unable to fulfill his or her obligations as set out herein and Attachment D, the Company shall within sixty (60) calendar days recommend a pool of three qualified Monitor candidates from which the Department will choose a replacement.

12. The Company agrees that it will not employ or be affiliated with the Monitor for a period of not less than one year from the date on which the Monitor's term expires.

13. The Monitor's term shall be five (5) years from the date on which the Monitor is retained by the Company, subject to extension or early termination as described in Paragraph 3.

Deferred Prosecution

14. In consideration of: (a) the past and future cooperation of the Company described in Paragraphs 5 above; (b) the Company's forfeiture of $100,000,000; (c) the Company's implementation and maintenance of remedial measures described in the Statement of Facts; and (d) the Company's enhanced compliance undertaking described in Attachment C, the Department agrees that any prosecution of the Company for the conduct set forth in the attached Statement of Facts, and for the conduct that the Company disclosed to the Department prior to the signing of this Agreement, be and hereby is deferred for the Term of this Agreement.

15. The Department further agrees that if the Company fully complies with all of its obligations under this Agreement, the Department will not continue the criminal prosecution against the Company described in Paragraph 1 and, at the conclusion of the Term, this Agreement shall expire. Within thirty (30) days of the Agreement's expiration, the Department shall seek dismissal with prejudice of the criminal Information filed against the Company described in Paragraph 1.

Breach of the Agreement

16. If, during the Term of this Agreement, the Department determines, in its sole discretion, that the Company has (a) committed any felony under U.S. federal law subsequent to the signing of this Agreement, (b) at any time provided in connection with this Agreement deliberately false, incomplete, or misleading information, or (c) otherwise breached the Agreement, the Company shall thereafter be subject to prosecution for any federal criminal violation of which the Department has knowledge, including the charges in the Information

described in Paragraph 1, which may be pursued by the Department in the U.S. District Court for the Middle District of Pennsylvania or any other appropriate venue. Any such prosecution may be premised on information provided by the Company. Any such prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against the Company notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the expiration of the Term plus one year. Thus, by signing this Agreement, the Company agrees that the statute of limitations with respect to any such prosecution that is not time-barred on the date of the signing of this Agreement shall be tolled for the Term plus one year.

17. In the event that the Department determines that the Company has breached this Agreement, the Department agrees to provide the Company with written notice of such breach prior to instituting any prosecution resulting from such breach. The Company shall, within thirty (30) days of receipt of such notice, have the opportunity to respond to the Department in writing to explain the nature and circumstances of such breach, as well as the actions the Company has taken to address and remediate the situation, which explanation the Department shall consider in determining whether to institute a prosecution.

18. In the event that the Department determines that the Company has breached this Agreement: (a) all statements made by or on behalf of the Company to the Department or to the Court, including the attached Statement of Facts, and any testimony given by the Company before a grand jury, a court, or any tribunal, or at any legislative hearings, whether prior or subsequent to this Agreement, and any leads derived from such statements or testimony, shall be admissible in evidence in any and all criminal proceedings brought by the Department against the Company; and (b) the Company shall not assert any claim under the United States

Constitution, Rule 11(f) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule that statements made by or on behalf of the Company prior or subsequent to this Agreement, or any leads derived therefrom, should be suppressed. The decision whether conduct or statements of any current director or employee, or any person acting on behalf of, or at the direction of, the Company will be imputed to the Company for the purpose of determining whether the Company has violated any provision of this Agreement shall be in the sole discretion of the Department.

19. The Company acknowledges that the Department has made no representations, assurances, or promises concerning what sentence may be imposed by the Court if the Company breaches this Agreement and this matter proceeds to judgment. The Company further acknowledges that any such sentence is solely within the discretion of the Court and that nothing in this Agreement binds or restricts the Court in the exercise of such discretion.

Sale or Merger of Company

20. The Company agrees that in the event it sells, merges, or transfers all or substantially all of its business operations as they exist as of the date of this Agreement, whether such sale is structured as a sale, asset sale, merger, or transfer, it shall include in any contract for sale, merger, or transfer a provision binding the purchaser, or any successor in interest thereto, to the obligations described in this Agreement.

Public Statements by Company

21. The Company expressly agrees that it shall not, through present or future attorneys, officers, directors, employees, agents or any other person authorized to speak for the Company make any public statement, in litigation or otherwise, contradicting the acceptance of responsibility by the Company set forth above or the facts described in the attached Statement of

Facts. Any such contradictory statement shall, subject to cure rights of the Company described below, constitute a breach of this Agreement and Company thereafter shall be subject to prosecution as set forth in Paragraphs 1 and 2 of this Agreement. The decision whether any public statement by any such person contradicting a fact contained in the Statement of Facts will be imputed to the Company for the purpose of determining whether it has breached this Agreement shall be at the sole discretion of the Department. If the Department determines that a public statement by any such person contradicts in whole or in part a statement contained in the Statement of Facts, the Department shall so notify the Company, and the Company may avoid a breach of this Agreement by publicly repudiating such statement(s) within five (5) business days after notification. The Company shall be permitted to raise defenses and to assert affirmative claims in other proceedings relating to the matters set forth in the Statement of Facts provided that such defenses and claims do not contradict, in whole or in part, a statement contained in the Statement of Facts. This Paragraph does not apply to any statement made by any present or former officer, director, employee, or agent of the Company in the course of any criminal, regulatory, or civil case initiated against such individual, unless such individual is speaking on behalf of the Company.

22. The Company agrees that if it, or any of its direct or indirect subsidiaries or affiliates issues a press release or holds any press conference in connection with this Agreement, the Company shall first consult the Department to determine (a) whether the text of the release or proposed statements at the press conference are true and accurate with respect to matters between the Department and the Company; and (b) whether the Department has no objection to the release.

23. The Department agrees, if requested to do so, to bring to the attention of governmental and other debarment authorities the facts and circumstances relating to the nature of the conduct underlying this Agreement, including the nature and quality of the Company's cooperation and remediation. By agreeing to provide this information to debarment authorities, the Department is not agreeing to advocate on behalf of the Company, but rather is agreeing to provide facts to be evaluated independently by the debarment authorities.

Limitations on Binding Effect of Agreement

24. This Agreement is binding on the Company and the Department but specifically does not bind any other federal agencies, or any state, local or foreign law enforcement or regulatory agencies, or any other authorities, although the Department will bring the cooperation of the Company and its compliance with its other obligations under this Agreement to the attention of such agencies and authorities if requested to do so by the Company.

Complete Agreement

25. This Agreement sets forth all the terms of the agreement between the Company and the Department. No amendments, modifications or additions to this Agreement shall be valid unless they are in writing and signed by the Department, the attorneys for the Company and a duly authorized representative of the Company.

AGREED:

FOR MONEYGRAM INTERNATIONAL, INC.:

Date: Nov. 8, 2012 By: Pamela H. Patsley
Pamela H. Patsley
Chairman and Chief Executive Officer
MoneyGram International, Inc.

Date: 11-8-2012 By:
John K. Villa
David M. Zinn
Williams & Connolly LLP

FOR THE DEPARTMENT OF JUSTICE:

PETER J. SMITH
UNITED STATES ATTORNEY
Middle District of Pennsylvania

Date: 11/9/12 BY: _____
Kim D. Daniel
Assistant United States Attorney

JAIKUMAR RAMASWAMY
Chief, Asset Forfeiture and
Money Laundering Section
Criminal Division
United States Department of Justice

Date: 11/8/12 BY: _____
Craig M. Timm
Trial Attorney
Asset Forfeiture and Money Laundering Section

COMPANY OFFICER'S CERTIFICATE

I have read this Agreement and carefully reviewed every part of it with outside counsel for MONEYGRAM INTERNATIONAL, INC. (the "Company"). I understand the terms of this Agreement and voluntarily agree, on behalf of the Company, to each of its terms. Before signing this Agreement, I consulted outside counsel for the Company. Counsel fully advised me of the rights of the Company, of possible defenses, and of the consequences of entering into this Agreement.

I have carefully reviewed the terms of this Agreement with the Board of Directors of the Company. I have advised and caused outside counsel for the Company to advise the Board of Directors fully of the rights of the Company, of possible defenses, and of the consequences of entering into the Agreement.

No promises or inducements have been made other than those contained in this Agreement. Furthermore, no one has threatened or forced me, or to my knowledge any person authorizing this Agreement on behalf of the Company, in any way to enter into this Agreement. I am also satisfied with outside counsel's representation in this matter. I certify that I am the Chairman and Chief Executive Officer for the Company and that I have been duly authorized by the Company to execute this Agreement on behalf of the Company.

Date: Nov. 8, 2012

MONEYGRAM INTERNATIONAL, INC.

By: Pamela H. Patsley

Pamela H. Patsley
Chairman and Chief Executive Officer
MoneyGram International, Inc.

CERTIFICATE OF COUNSEL

I am counsel for MONEYGRAM INTERNATIONAL, INC. (the "Company") in the matter covered by this Agreement. In connection with such representation, I have examined relevant Company documents and have discussed the terms of this Agreement with the Company Board of Directors. Based on our review of the foregoing materials and discussions, I am of the opinion that the representative of the Company has been duly authorized to enter into this Agreement on behalf of the Company and that this Agreement has been duly and validly authorized, executed, and delivered on behalf of the Company and is a valid and binding obligation of the Company. Further, I have carefully reviewed the terms of this Agreement with the Board of Directors and the Chairman and Chief Executive Officer of the Company. I have fully advised them of the rights of the Company, of possible defenses, and of the consequences of entering into this Agreement. To my knowledge, the decision of the Company to enter into this Agreement, based on the authorization of the Board of Directors, is an informed and voluntary one.

Date: November 8, 2012

By: _____
John K. Villa
David M. Zinn
Williams & Connolly LLP
Counsel for MoneyGram International, Inc.

ATTACHMENT A

STATEMENT OF FACTS

1. The following Statement of Facts is incorporated by reference as part of the ~~Deferred~~ Prosecution Agreement (the "Agreement") between the United States Department of Justice, Criminal Division, Asset Forfeiture and Money Laundering Section and the United States Attorney's Office for the Middle District of Pennsylvania (collectively, the "Department") and MoneyGram International, Inc. ("MoneyGram"). MoneyGram hereby agrees and stipulates that the following information is true and accurate. MoneyGram admits, accepts, and acknowledges that it is responsible for the acts of its officers, directors, and employees as set forth below. If this matter were to proceed to trial, the United States would prove beyond a reasonable doubt, by admissible evidence, the facts alleged below. This evidence would establish the following:

2. MoneyGram is a publicly traded, global money services business ("MSB"), incorporated under the laws of Delaware, and headquartered in Dallas, Texas. MoneyGram provides a service that enables customers to transfer money to various locations in the United States and around the world. MoneyGram operates worldwide through a network of approximately 275,000 locations in 190 countries.

3. "MoneyGram Outlets" or "Outlets" are independently owned entities that are contractually authorized to transfer money through MoneyGram's money transfer system. Typically, MoneyGram Outlets are businesses that primarily provide other types of goods and services, and also offer money transfers through MoneyGram.

4. "MoneyGram Agents" or "Agents" are individuals or entities that own and/or operate MoneyGram Outlets. MoneyGram Agents receive a commission from MoneyGram on transactions processed at their Outlets. MoneyGram Agents are independent contractors, not MoneyGram employees. MoneyGram has the legal right to terminate an Agent for a variety of reasons, including suspected involvement in fraud or money laundering.

5. "Perpetrators" were individuals that created schemes to defraud the public using MoneyGram's money transfer system. These Perpetrators included, among other people, certain MoneyGram Agents.

6. The "MoneyGram Call Center" or "Call Center" is located in or around Lakewood, Colorado. Among other responsibilities, the Call Center fields complaints of MoneyGram customers from around the world who report they were the victims of fraud. These complaints, known as "Consumer Fraud Reports," are typically filed by the customer within a few days of the fraudulent transaction. The Consumer Fraud Report lists the name and address of the customer who was allegedly victimized, the send amount, the date of the transfer, the intended recipient, and a description from the customer of how they believe they were defrauded. The Call Center then forwards the Consumer Fraud Report data to MoneyGram's Fraud Department for investigation.

MoneyGram's Money Transfer System

7. To send money using MoneyGram's money transfer system, customers go to a MoneyGram Outlet and complete a "send" form designating the name of the recipient and the state or province and country where the money is to be sent. The MoneyGram Agent is required to enter the information from the send form along with the transfer amount into a transaction database established and maintained by MoneyGram as part of its central electronic network in or around Minneapolis, Minnesota. MoneyGram charges a fee based on the transfer amount and the destination location. Customers then give the MoneyGram Agent cash to cover the transfer amount and the MoneyGram fee. Customers are given an eight-digit MoneyGram reference number for the transaction.

8. To receive a money transfer, MoneyGram requires the payee to physically appear at a MoneyGram Outlet and complete a handwritten application known as a "receive" form. On the receive form, MoneyGram requires the payee to list his or her name, address and telephone number; the name, city, state or province of the sender; and the expected transfer amount. The MoneyGram Agent then queries MoneyGram's transaction database to find the money transfer intended for the payee. For all money transfers in amounts equal to or greater than $900, MoneyGram requires the payee to present a valid identification document for examination by the MoneyGram Agent. MoneyGram then requires the MoneyGram Agent to enter the payee's name, address, telephone number, and identification document serial number into its transaction database. Depending on the MoneyGram Outlet, the payee will receive the money in cash or in the form of a MoneyGram transfer check or money order.

9. Money transferred between two individuals using MoneyGram's money transfer system is never actually physically transported from the sender to the receiver. Rather, the details from the send transaction are recorded in MoneyGram's transaction database. The sending Agent is then responsible for depositing the cash it received from the customer into its bank account by the next business day. MoneyGram then removes the transfer amount plus the MoneyGram fee from the Agent's bank account typically on the second business day after the transaction. Even though the customer's money does not reach MoneyGram's account for at least two business days, MoneyGram makes the funds available to the payee as soon as ten minutes after the initial transaction based on the information it has in its transaction database. Depending on the contractual agreement between the payout Agent and MoneyGram, the Agent pays the payee with cash on hand or issues the payee a MoneyGram transfer check or money order. MoneyGram then adds money to the payout Agent's bank account for the money paid to the payee. At all times before the payee receives cash from the MoneyGram Agent or cashes the MoneyGram transfer check, MoneyGram has the ability to refuse to conduct a transaction, reverse a transaction, or stop payment on the MoneyGram transfer check at its discretion.

The Fraud Scheme Operated through MoneyGram's Money Transfer System

10. From as early as 2003, and continuing into 2009, MoneyGram, through the Consumer Fraud Reports and other data its Fraud Department collected, knew that specific MoneyGram Agents were involved in a fraud scheme that relied on a variety of false promises and other

representations to the public in order to trick unsuspecting victims into sending money through participating MoneyGram Agents and MoneyGram Outlets. The victims' money would then be taken by the Perpetrators and none of the false promises or representations were fulfilled. Specifically, victims were contacted by phone, U.S. mail, interstate courier, or the Internet, and were fraudulently induced to send money to the Perpetrators. The fraud was committed by, among other things:

a. Falsely promising victims they would receive large cash prizes, lottery winnings, fictitious loans, or other payments;

b. Falsely offering various high-ticket items for sale over the Internet at deeply discounted prices;

c. Falsely promising employment opportunities as "secret shoppers" who would be paid to evaluate retail stores; or

d. Placing a distressed phone call falsely posing as the victim's relative and claiming to be in trouble and in urgent need of money.

11. The Perpetrators then falsely represented that in order to receive the item the victims were promised, the victims needed to give the Perpetrators some money in advance. For example, in situations where the victims were promised cash prizes or lottery winnings, the victims were told they had to pay taxes, customs' duties, or processing fees up front. The victims were then directed to send the advance payments to fictitious payees using MoneyGram's money transfer system.

12. After the victims completed the money transfer, they were instructed to contact the Perpetrators to give them the MoneyGram reference number for the transaction. The Perpetrators then brought the victims' MoneyGram reference number to participating MoneyGram Agents to remove the victims' money from the MoneyGram money transfer system.

13. The MoneyGram Agents knowingly entered false addresses, telephone numbers, and personal identification document information for these transactions into the MoneyGram database. In doing so, the MoneyGram Agents concealed the true identities of the Perpetrators, as well as their ownership and control of the fraudulently obtained funds. The MoneyGram Agents then gave the Perpetrators the victims' money, after subtracting their own fees for completing the fraudulent transaction.

14. At no time were the victims provided with what they were falsely promised by the Perpetrators.

MoneyGram Knew Its Agents Were Involved in the Fraud Scheme

15. From in or about 2004 through 2009, MoneyGram customers filed approximately 63,814 Consumer Fraud Reports involving transfers paid out at MoneyGram Outlets in the United States and Canada totaling approximately $128,445,411 in losses to victims. The victims who generated the vast majority of these Consumer Fraud Reports described losing money through the scheme outlined above. The total scope of the fraud scheme, however, is more expansive because not every victim of the fraud scheme reported the fraud to MoneyGram.

16. As early as 2003, MoneyGram's Fraud Department was compiling the Consumer Fraud Report data in an electronic fraud database that detailed the number of fraud complaints for each MoneyGram Agent. Within MoneyGram, the Fraud Department recommended to senior management that numerous specific MoneyGram Agents and Outlets be terminated for fraud due to the high number of Consumer Fraud Reports generated.

17. Despite these recommendations, MoneyGram's former senior management refused to allow its Fraud Department to terminate an Agent or close an Outlet for fraud without approval from executives on the sales side of the business. As a result, the Fraud Department's termination recommendations were rarely accepted. For example, in March 2007, the Fraud Department – after receiving a Civil Investigative Demand from the Federal Trade Commission regarding consumer fraud in Canada – recommended that MoneyGram immediately close 32 specific MoneyGram Outlets in Canada that had high levels of reported fraud. These Outlets were described by MoneyGram's Senior Director of Anti-Money Laundering as "the worst of the worst" and "beyond anyone's ability to doubt that the agent had knowledge and involvement." On April 20, 2007, a meeting was held to discuss the closure of these Outlets. In attendance at the meeting were MoneyGram officers at the senior and executive vice-president level. Ultimately, these officers rejected the Fraud Department's recommendation and did not close any of the 32 Outlets. Following this decision, MoneyGram continued to receive complaints from its customers indicating these MoneyGram Outlets were still involved in fraud. Nevertheless, MoneyGram continued to process transactions from the Outlets that they knew were involved in fraud.

MoneyGram Assisted and Profited from the Fraud Scheme

18. Despite its knowing that specific MoneyGram Agents were involved in the fraud scheme, MoneyGram continued to process fraudulent transactions through these Agents. MoneyGram's processing of these fraudulent transactions was critical to the success of the fraud scheme because the Perpetrators relied on MoneyGram's money transfer system to receive the victims' money.

19. MoneyGram's Fraud Department attempted to implement policies that would require the termination of a MoneyGram Agent or Outlet if the Agent or Outlet had a certain number of Consumer Fraud Reports. These policies were repeatedly rejected by the sales side of the business. For example, in March 2007, MoneyGram's Fraud Department recommended that MoneyGram terminate any Agent that had 15 Consumer Fraud Reports in three months, 20 Consumer Fraud Reports in six months, or 40 Consumer Fraud Reports in one year. This policy was never approved by sales and therefore never implemented.

20. Subsequently, in or about November 2008, sales finally approved a termination policy. Under the approved policy, MoneyGram would terminate any Agent that had Consumer Fraud Reports greater than one percent of all MoneyGram's Consumer Fraud Reports *worldwide*. In 2008, there were approximately 27,000 Consumer Fraud Reports filed worldwide. Thus, MoneyGram's policy meant an Agent would not be terminated for fraud unless the Agent incurred at least 270 Consumer Fraud Reports in one year – nearly seven times as many Consumer Fraud Reports as under the March 2007 proposed policy. Even this weaker policy was never consistently enforced prior to April 2009.

21. As a result of MoneyGram's failure to implement a termination policy, MoneyGram Agents complicit in the fraud were permitted to stay open for longer periods of time and the fraudulent activity skyrocketed. In 2004, victimized MoneyGram customers in the United States and Canada filed approximately 1,575 Consumer Fraud Reports. For 2008, that number jumped over ten fold, to approximately 19,614 reported frauds.

22. MoneyGram also actively assisted certain Agents engaged in fraud by increasing the number of transactions these Agents could process each day, granting these Agents additional MoneyGram Outlets from which to operate, and increasing their compensation.

23. One example was MoneyGram Agent James Ugoh. Ugoh came to own and/or control 12 MoneyGram outlets in Toronto, Canada. For years, Ugoh's Outlets were recognized by MoneyGram's Fraud Department as some of MoneyGram's top fraud Outlets. The following timeline details Ugoh's relationship with MoneyGram:

Dec. 2001	Ugoh becomes a MoneyGram Agent and opens an Outlet called "Money Spot."
Aug. 2004	MoneyGram's Manager of the Fraud and Compliance Departments recognizes that Ugoh's Money Spot has an "unusually high" number of fraud complaints. Nevertheless, that same month, MoneyGram authorizes Ugoh to open two additional outlets, "Money Spot 2" and "Money Spot 3."
Mar. 2005	MoneyGram authorizes Ugoh to open another outlet, "Money Spot 4." By this time, there have been 66 Consumer Fraud Reports filed that involve Ugoh's other Outlets, totaling $250,463 in losses to victims.
June 2005	MoneyGram sponsors a party in Ugoh's honor in recognition of his work for MoneyGram. The MoneyGram name is on the invitation. At this point, 96 Consumer Fraud Reports have been filed totaling $348,310 in losses to victims.
Feb. 2006	MoneyGram's Fraud Department identifies Money Spot, Money Spot 2, and N&E Associates (run by Ugoh but in his wife's name) as leading fraud Outlets.

June 2006	MoneyGram authorizes Ugoh to open "Money Spot 5." At this point, 284 Consumer Fraud Reports have been filed totaling $785,791 in losses to victims.
July 2006	MoneyGram restricts Money Spot's ability to receive transactions because of fraud. The restriction is lifted after intervention from the sales side of the business.
Aug. 2006	MoneyGram authorizes Ugoh to open "Money Spot 6." At this point, 343 Consumer Fraud Reports have been filed totaling $904,286 in losses to victims.
Sept. 2006	MoneyGram pays Ugoh a $70,000 "re-signing bonus."
Jan. 2007	MoneyGram's Fraud and Anti-Money Laundering Departments identify that Money Spot is working with other MoneyGram Agents to launder fraud proceeds using MoneyGram transfer checks.
Mar. 2007	MoneyGram authorizes Ugoh to open "Money Spot 7" and "Money Spot 8." At this point, 544 Consumer Fraud Reports have been filed totaling $1,304,521 in losses to victims.
Apr. 2007	MoneyGram's Fraud Department recommends the immediate closure of Money Spot, Money Spot 2, and N&E Associates as part of a larger proposal to terminate 32 of its worst high-fraud Canadian Outlets. MoneyGram senior executives reject the recommendation and allow all of Ugoh's Outlets to remain open.
June 2007	MoneyGram authorizes Ugoh to open "Money Spot 9" and "Money Spot 10." At this point, 665 Consumer Fraud Reports have been filed totaling $1,542,818 in losses to victims.
July 2007	MoneyGram awards Money Spot the status of "Red Store," a corporate marketing reward for its top performing Outlets. That same month, MoneyGram's internal Fraud Report lists Money Spot as its top fraud Outlet.
Aug. 2007	MoneyGram increases Ugoh's commission. MoneyGram makes the commission increase retroactive to September 2006.
Dec. 2007	Money Spot is number one again on MoneyGram's internal Fraud Report. Money Spot 2, Money Spot 4, and N&E Associates are all in the top nine for fraud in Ontario.
Mar. 2008	MoneyGram authorizes Ugoh to open "Money Spot 11." At this point, 1,130 Consumer Fraud Reports have been filed totaling $2,384,263 in losses to victims.
July 2008	MoneyGram's Fraud Department recognizes that all 12 Outlets owned or controlled by Ugoh have received fraudulent transactions.

Feb. 2009	All Money Spot Outlets are closed incident to Toronto Police Department's execution of search warrants at various MoneyGram Outlets.

By the time Ugoh's Outlets were closed, MoneyGram had received 1,733 Consumer Fraud Reports totaling over $3.3 million in losses to victims. These Consumer Fraud Reports, however, are just the tip of the iceberg. From January 2005 through February 2009, Ugoh's Outlets received over $27,8 million from the United States. According to Ugoh, nearly all of the money received at his Outlets from the United States was fraud proceeds.

24. From 2004 to 2009, MoneyGram had 264 Agents in the United States and Canada with over 50 Consumer Fraud Reports. The reported fraud from these Agents alone represents over $75,000,000 in losses to victims.

25. MoneyGram profited from the fraud scheme by, among other ways, collecting fees and other revenues on each fraudulent transaction initiated by the Perpetrators including MoneyGram Agents.

Laundering of Fraud Proceeds Using MoneyGram's Money Transfer System

Toronto Money Laundering Scheme

26. Beginning in 2006 and continuing into early 2009, Ugoh conspired with at least 25 corrupt MoneyGram Agents in the Toronto area in a large-scale money laundering scheme designed to conceal where the proceeds from the fraud scheme were being sent. Complicit MoneyGram Agents in Canada received the initial fraudulent transaction from the victim via the MoneyGram money transfer system. The complicit MoneyGram Agents then executed their money laundering scheme by making the MoneyGram transfer check payable to one of a few individuals responsible for laundering the money ("laundering Agents") instead of to a fictitious payee to whom the victims believed the money was being sent. The checks were then collected and deposited into business accounts controlled by the laundering Agents. This practice, known as "check pooling," allowed Ugoh and others to collect MoneyGram transfer checks from multiple Outlets, deposit the checks into what otherwise appeared to be legitimate bank accounts, and then ultimately withdraw and distribute the proceeds among the Perpetrators.

27. MoneyGram's Fraud and Anti-Money Laundering Departments were aware of this scheme as early as January 2007, when an employee in MoneyGram's Agent Services Department sent an e-mail to numerous people in the Fraud and Anti-Money Laundering Departments describing the scheme. The e-mail specifically noted MoneyGram transfer checks used in transactions reported as fraud were made out to Ugoh's Money Spot and another MoneyGram Outlet called "Modicom Accounting" instead of the purported payee. Before sending the e-mail, the Agent Services employee contacted the bank where the checks representing the fraud proceeds were being deposited. The bank offered to call MoneyGram each time there was an attempt to deposit one of these checks so that MoneyGram could stop payment. The Agent Services employee ended the e-mail pleading that "there has to be something we could do about this[,] we have to try as hard as we can to make this stop." Despite this, MoneyGram did nothing to investigate or stop the activity. MoneyGram did not

investigate or terminate the Agents involved and did not take up the bank's offer to stop payment on the checks. As a result, the activity continued unabated into 2009.

U.S. Agents Money Laundering

28. As early as 2006 and continuing into 2009, complicit MoneyGram Agents in the United States conspired with MoneyGram Agents throughout the world to launder fraud proceeds using the MoneyGram money transfer system. In these schemes, complicit Agents in the United States would receive the initial fraudulent transaction from the victim via the MoneyGram money transfer system. Then after taking a commission, the complicit Agent in the United States would use the MoneyGram money transfer system to send the remaining money to complicit MoneyGram Agents around the world. This two-step process was designed to conceal the ultimate destination of the fraud proceeds. Despite identifying certain Agents involved in this activity as early as 2007, MoneyGram allowed the Agents to remain open and the activity continued into 2009.

MoneyGram Willfully Failed to Maintain an Effective Anti-Money Laundering Program

29. Congress enacted the Bank Secrecy Act, Title 31, United States Code, Sections 5311 *et seq.* ("BSA"), and its implementing regulations to address an increase in criminal money laundering activity utilizing financial institutions. Among other provisions, it requires MSBs like MoneyGram to maintain programs designed to detect and report suspicious activity that might be indicative of money laundering, terrorist financing, and other financial crimes, and to maintain certain records and file reports related thereto that are especially useful in criminal, tax, or regulatory investigations or proceedings.

30. Pursuant to 31 U.S.C. § 5318(h) and 31 C.F.R. § 103.125 (now renumbered 31 C.F.R. § 1022.210), MoneyGram was required to establish and maintain an anti-money laundering ("AML") compliance program that, at a minimum:

    a. provides internal policies, procedures, and controls designed to guard against money laundering;

    b. provides for an individual or individuals to coordinate and monitor day-to-day compliance with the BSA and AML requirements;

    c. provides for an ongoing employee training program; and

    d. provides for independent testing for compliance by bank personnel or an outside party.

31. In the Middle District of Pennsylvania and elsewhere, MoneyGram willfully failed to maintain an effective anti-money laundering program that was reasonably designed to prevent it from being used to facilitate money laundering. These failures included, among others:

a. MoneyGram failed to implement policies or procedures governing the termination of Agents involved in fraud and money laundering.

b. MoneyGram filed Suspicious Activity Reports ("SARs"), in which MoneyGram incorrectly listed the victim of the fraud as the individual who was the likely wrongdoer. MoneyGram failed to file SARs on their Agents who MoneyGram knew were involved in the fraud.

c. MoneyGram failed to implement policies or procedures to file the required SARs when victims reported fraud to MoneyGram on transactions over $2,000. Instead, MoneyGram structured its AML program so that individuals responsible for filing SARs did not have access to the Fraud Department's Consumer Fraud Report database.

d. MoneyGram failed to sufficiently resource and staff its AML program.

e. MoneyGram failed to conduct effective AML audits of its Agents and Outlets. MoneyGram's Senior Director of Anti-Money Laundering refused to conduct audits on certain Outlets involved in fraud and money laundering that MoneyGram refused to terminate because the Outlets were "criminal operations" and sending their audit team in to those Outlets would put the audit team in "physical danger."

f. MoneyGram failed to implement policies or procedures to review MoneyGram transfer checks of Agents known or suspected to be involved in "check pooling." As described above, MoneyGram knew its Agents were using MoneyGram transfer checks to launder fraud proceeds and did nothing to investigate the activity or prevent it from occurring in the future.

g. MoneyGram failed to conduct adequate due diligence on prospective MoneyGram Agents. MoneyGram routinely signed up new Agents without visiting the locations or verifying that a legitimate business existed. As a result, some of the Agents involved in fraud and money laundering operated out of homes in residential neighborhoods and other locations that were not open to the public.

h. MoneyGram failed to conduct adequate due diligence on MoneyGram Agents seeking additional MoneyGram Outlets. MoneyGram routinely granted additional Outlets to Agents known to be involved in fraud and money laundering.

MoneyGram's Remedial Actions

32. Beginning in 2009, MoneyGram began taking remedial actions to address shortcomings in its anti-fraud and anti-money laundering programs. These remedial measures include:

a. In March and April 2009, MoneyGram closed over 250 Outlets believed to be involved in consumer fraud at the request of the U.S. Attorney's Office for the Middle District of Pennsylvania. Within six months, MoneyGram closed over 150 additional Agents determined to be involved in consumer fraud.

b. The entire senior management team in place prior to April 2009 has been replaced.

c. MoneyGram has increased the number of employees in the Compliance Department by nearly 100%. This includes an approximate fivefold increase in staffing in the Fraud Department.

d. MoneyGram has created two new executive level positions: (1) Senior VP, Global Security and Investigations – responsible for enhancing efforts to combat consumer fraud and fostering cooperation with law enforcement; (2) Senior VP, Associate General Counsel Global Regulatory and Chief Privacy Officer – responsible for enhancing interaction with U.S. and International regulators and enhancing MoneyGram's compliance systems.

e. MoneyGram has created a Financial Intelligence Unit within the Compliance Department which includes a manager and thirteen analysts. The Financial Intelligence Unit monitors Agent behavior, analyzes high risk transactions, conducts reviews of Agents, and files specialized SARs for Agents.

f. MoneyGram created an Anti-Fraud Alert System. The system identifies and then places on hold potentially fraudulent transactions. MoneyGram then contacts the sender to determine the legitimacy of the transactions. If MoneyGram believes the transaction is the result of fraud the transaction is cancelled and the money returned to the sender. MoneyGram has 17 full time employees dedicated to the system and has to date prevented over one hundred million dollars in consumer fraud transactions.

g. MoneyGram has strengthened its Agent termination policy and now terminates any Agent believed to be involved in any way with illegal activity.

h. MoneyGram's Fraud and AML Departments now share information. As a result, MoneyGram now files SARs on Agents involved in fraud and money laundering and on all transactions over $2,000 that are reported as fraud.

i. MoneyGram has implemented a risk-based Agent audit program that takes into account an Agent's location and number of Consumer Fraud Reports.

j. MoneyGram has implemented a new Agent training program that provides information on the types of consumer fraud scams as well as how to detect, prevent, report and handle suspicious transactions.

ATTACHMENT B

CERTIFICATE OF CORPORATE RESOLUTIONS

WHEREAS, MONEYGRAM INTERNATIONAL, INC. (the "Company") has been engaged in discussions with the United States Department of Justice, Criminal Division, Asset Forfeiture and Money Laundering Section and the United States Attorney's Office for the Middle District of Pennsylvania (collectively, the "Department") regarding fraud-induced money transfers, money laundering, and the Company's anti-money laundering program; and

WHEREAS, in order to resolve such discussions, it is proposed that the Company enter into a certain agreement with the Department; and

WHEREAS, the Company's Executive Vice President, General Counsel and Corporate Secretary, Francis Aaron Henry, together with outside counsel for the Company, have advised the Board of Directors of the Company of its rights, possible defenses, the Sentencing Guidelines' provisions, and the consequences of entering into such agreement with the Department;

Therefore, the Board of Directors has RESOLVED that:

1. The Company (a) acknowledges the filing of the two-count Information charging the Company with aiding and abetting wire fraud, in violation of Title 18, United States Code, Sections 1343 and 2, and willfully failing to implement an effective anti-money laundering program, in violation of Title 31, United States Code, Section 5318(h) and regulations issued thereunder; (b) waives indictment on such charges and enters into a deferred prosecution agreement with the Department; and (c) agrees to forfeit $100,000,000 to the United States;

2. The Chairman and Chief Executive Officer, Pamela H. Patsley, is hereby authorized, empowered and directed, on behalf of the Company, to execute the Deferred

Prosecution Agreement substantially in such form as reviewed by this Board of Directors at this meeting with such changes as the Chairman and Chief Executive Officer, Pamela H. Patsley, may approve;

3. The Chairman and Chief Executive Officer, Pamela H. Patsley, is hereby authorized, empowered and directed to take any and all actions as may be necessary or appropriate and to approve the forms, terms or provisions of any agreement or other documents as may be necessary or appropriate, to carry out and effectuate the purpose and intent of the foregoing resolutions; and

4. All of the actions of the Chairman and Chief Executive Officer, Pamela H. Patsley, which actions would have been authorized by the foregoing resolutions except that such actions were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved, and adopted as actions on behalf of the Company.

Date: November 8, 2012

By: _____
Francis Aaron Henry
Executive Vice President, General Counsel
and Corporate Secretary
MoneyGram International, Inc.

ATTACHMENT C

ENHANCED COMPLIANCE UNDERTAKING

In addition to the enhancements MoneyGram International, Inc. (the "Company") has already made to its anti-fraud and anti-money laundering programs as described in the Statement of Facts and the Mandate of the Corporate Compliance Monitor discussed in Attachment D, the Company agrees that it has or will undertake the following:

Board of Directors

1. The Company will create an independent Compliance and Ethics Committee of the Board of Directors with direct oversight of the Chief Compliance Officer and the Compliance Program. This Committee will be responsible for ensuring that the Company is in compliance with all aspects of this Agreement. All reports submitted as a part of this Agreement shall be sent under the cover of this Committee.

Adopt a Worldwide Anti-Fraud and Anti-Money Laundering Standard

2. The Company will require all MoneyGram Agents around the world, regardless of their location, to adhere to either the anti-fraud and anti-money laundering standards as defined by the FATF interpretive guidelines for Money Services Businesses or the U.S. anti-fraud and anti-money laundering standards, whichever is stricter. This new policy will ensure that all MoneyGram Agents throughout the world will, at a minimum, be required to adhere to U.S. anti-fraud and anti-money laundering standards.
3. The Company will design and implement a risk-based program to audit MoneyGram Agents throughout the world to ensure they are complying with the new policy referenced in paragraph 2 of this attachment.

Executive Review and Bonus Structure

4. The Company will restructure its executive review and bonus system so that each MoneyGram executive is evaluated on what they have done to ensure that their business or department adheres to international compliance-related policies and procedures and related U.S. regulations and laws. A failing score in compliance will make the executive ineligible for any bonus for that year.

5. The Company will include in its new executive review and bonus system a provision that allows the Company to "claw back" prior bonuses for executives later determined to have contributed to compliance failures.

Agent Due Diligence Remediation

6. The Company will design and implement a remediation plan to review the due diligence, selection, and retention files for all MoneyGram Agents worldwide with more than one (1) complaint in any rolling thirty (30) day period, beginning in 2009, from consumers alleging transactions paid at any one of the Agent's Outlets were the result of fraud. This remediation plan should ensure that MoneyGram has done the proper due diligence on each of these Agents.

7. On Agents deemed by MoneyGram to be high risk or operating in a high risk area, MoneyGram will develop and implement a plan to conduct enhanced due diligence.

Anti-Fraud Alert System

8. The Company will ensure, as directed by the Monitor, that the maximum number of transactions feasible, originating in the United States, regardless of the destination, will

be reviewed in the Company's Anti-Fraud Alert System to identify potentially fraudulent transactions.

Transaction Monitoring

9. The Company will develop and implement a risk-based program, using the best tools available, to test and verify the accuracy of the sender and receiver biographical and identification data entered into the transaction database by MoneyGram Agents.

Suspicious Activity Reports

10. The Company will follow all laws and regulations concerning the filing of Suspicious Activity Reports ("SARs") in the United States for any suspicious activity, as defined by the Bank Secrecy Act and its implementing regulations, including suspicious activity identified by the Company that originates in the United States, regardless of where in the world the suspicious transactions is received.

High Risk Countries

11. The Company will assign at least one Anti-Money Laundering Compliance Officer to oversee compliance for each country that the Company has designated as high risk for fraud or money laundering. By developing an expertise in their assigned high risk country, the Compliance Officer will better enable the Company to detect and prevent fraud and money laundering activities in those countries.

Reporting requirements

12. The Company will provide the Department with a report every ninety (90) days listing: (1) all MoneyGram Outlets worldwide with ten (10) or more complaints from consumers

during the previous twelve (12) months alleging transactions paid at the Outlet were the result of fraud; (2) for each Outlet on the list, the Company will identify the owner of the Outlet, total fraud complaints since the Outlet opened, total number of receives for the prior year, total dollar value of the receives for the prior year, the average dollar value for receive transactions, total number of sends for the prior year, total dollar value of the sends for the prior year, the average dollar value for send transactions, total revenue earned by MoneyGram from the Outlet for the prior year (including, but not limited to, transfer fees and currency exchange revenue), any additional Outlets with the same owner, and the total consumer fraud complaints for each other Outlet with the same owner; (3) for each Outlet on the list, the Company will describe what actions, if any, have been taken against the Outlet and/or Agent and describe why such action (or lack of action) was deemed appropriate.

13. The Company will provide the Department with a report every ninety (90) days of all MoneyGram Agents or Outlets worldwide that were terminated, suspended or restricted in any way during the previous ninety (90) days based on fraud or money laundering concerns and whether or not a SAR was filed.

14. The Company will provide the Department with a report every ninety (90) days listing all termination, suspension or restriction recommendations during the previous ninety (90) days by the Company's Fraud, Anti-Money Laundering or Compliance Departments that were not accepted and an explanation of why. The Company should also indicate whether or not a SAR was filed.

15. The Company will, on a monthly basis, submit electronically to the Federal Trade Commission ("FTC"), or its designated agent, for inclusion in the Consumer Sentinel Network, a secure online database operated by the FTC and available to law enforcement, all relevant information the Company possesses in its consumer fraud database, for Agents and Outlets worldwide, regarding consumer complaints about alleged fraud-induced money transfers and regarding the underlying transfers themselves, including but not limited to, the name and address of the sender, the send location, the date and amount of the transfer, the transfer fee, the date and actual location of the receipt, the name of the receiver, any information regarding the receiver's identification, the reference number for the transfer, the nature of the consumer's complaint, and any additional details provided by the consumer. Provided, however, that the Company may decline to provide this information if it receives a request from a consumer that is documented by the Company stating that he or she does not want the information to be shared with law enforcement.

ATTACHMENT D

CORPORATE COMPLIANCE MONITOR

The duties and authority of the Corporate Compliance Monitor (the "Monitor"), and the obligations of MoneyGram International, Inc. (the "Company"), with respect to the Monitor and the Department, are as described below:

1. The Monitor will for a period of up to five (5) years from the date of his engagement (the "Term of the Monitorship") evaluate, in the manner set forth in Paragraphs 2 through 8 below, the effectiveness of the internal controls, policies and procedures of the Company's anti-fraud and anti-money laundering programs, the Company's overall compliance with the Bank Secrecy Act, the Company's maintenance of the remedial measures enumerated in the Statement of Facts, as well as the Company's implementation of the Enhanced Compliance Undertaking discussed in Attachment C, and take such reasonable steps as, in his or her view, may be necessary to fulfill the foregoing mandate (the "Mandate").

2. The Company shall cooperate fully with the Monitor and the Monitor shall have the authority to take such reasonable steps as, in his view, may be necessary to be fully informed about the Company's compliance program within the scope of the Mandate in accordance with the principles set forth herein and applicable law, including applicable data protection and labor laws and regulations. To that end, the Company shall: (a) facilitate the Monitor's access to the Company's documents and resources, (b) not limit such access, except as provided in this paragraph, and (c) provide guidance on applicable local law (such as relevant data protection and labor law). The Company shall provide the Monitor with access to all information, documents, records, facilities and/or employees, as reasonably requested by the Monitor, that fall within the scope of the Mandate of the Monitor under this Agreement. Any disclosure by the Company to

the Monitor concerning fraud-induced money transfers, money laundering, or its anti-money laundering program shall not relieve the Company of any otherwise applicable obligation to truthfully disclose such matters to the Department.

a. The parties agree that no attorney-client relationship shall be formed between the Company and the Monitor.

b. In the event that the Company seeks to withhold from the Monitor access to information, documents, records, facilities and/or employees of the Company which may be subject to a claim of attorney-client privilege or to the attorney work-product doctrine, or where the Company reasonably believes production would otherwise be inconsistent with applicable law, the Company shall work cooperatively with the Monitor to resolve the matter to the satisfaction of the Monitor. If the matter cannot be resolved, at the request of the Monitor, the Company shall promptly provide written notice to the Monitor and the Department. Such notice shall include a general description of the nature of the information, documents, records, facilities and/or employees that are being withheld, as well as the basis for the claim. The Department may then consider whether to make a further request for access to such information, documents, records, facilities and/or employees. To the extent the Company has provided information to the Department in the course of the investigation leading to this action pursuant to a non-waiver of privilege agreement, the Company and the Monitor may agree to production of such information to the Monitor pursuant to a similar non-waiver agreement.

3. To carry out the Mandate, during the Term of the Monitorship, the Monitor shall conduct an initial review and prepare an initial report, followed by at least four (4) follow-up reviews and reports as described below. With respect to each review, after meeting and consultation with the Company and the Department, the Monitor shall prepare a written work

plan, which shall be submitted no fewer than sixty (60) calendar days prior to commencing each review to the Company and the Department for comment, which comment shall be provided no more than thirty (30) calendar days after receipt of the written work plan. The Monitor's work plan for the initial review shall include such steps as are reasonably necessary to conduct an effective initial review in accordance with the Mandate, including by developing an understanding, to the extent the Monitor deems appropriate, of the facts and circumstances surrounding any violations that may have occurred before the date of acceptance of this Agreement by the Court, but in developing such understanding the Monitor is to rely to the extent possible on available information and documents provided by the Company, and it is not intended that the Monitor will conduct his own inquiry into those historical events. In developing each work plan and in carrying out the reviews pursuant to such plans, the Monitor is encouraged to coordinate with Company personnel including auditors and compliance personnel and, to the extent the Monitor deems appropriate, the Monitor may rely on the Company processes, on the results of studies, reviews, audits and analyses conducted by or on behalf of the Company and on sampling and testing methodologies. The Monitor is not expected to conduct a comprehensive review of all business lines, all business activities or all markets. Any disputes between the Company and the Monitor with respect to the work plan shall be decided by the Department in its sole discretion.

4. The initial review shall commence no later than ninety (90) calendar days from the date of the engagement of the Monitor (unless otherwise agreed by the Company, the Monitor and the Department), and the Monitor shall issue a written report within ninety (90) calendar days of initiating the initial review, setting forth the Monitor's assessment and making recommendations reasonably designed to improve the effectiveness of the Company's anti-fraud

and anti-money laundering programs for ensuring compliance with the Bank Secrecy Act. The Monitor is encouraged to consult with the Company concerning his findings and recommendations on an ongoing basis, and to consider and reflect the Company's comments and input to the extent the Monitor deems appropriate. The Monitor need not in its initial or subsequent reports recite or describe comprehensively the Company's history or compliance policies, procedures and practices, but rather may focus on those areas with respect to which the Monitor wishes to make recommendations for improvement or which the Monitor otherwise concludes merit particular attention. The Monitor shall provide the report to the Board of Directors of the Company and contemporaneously transmit copies to the Chief of the Asset Forfeiture and Money Laundering Section, Criminal Division, U.S. Department of Justice, at 1400 New York Avenue N.W., Bond Building, Washington, DC 20530 and the United States Attorney for the Middle District of Pennsylvania, 228 Walnut Street, Suite 220, Harrisburg, PA 17108. After consultation with the Company, the Monitor may extend the time period for issuance of the report for up to thirty (30) calendar days with prior written approval of the Department.

5. Within ninety (90) calendar days after receiving the Monitor's report, the Company shall adopt all recommendations in the report; provided, however, that within thirty (30) calendar days after receiving the report, the Company shall notify the Monitor and the Department in writing of any recommendations that the Company considers unduly burdensome, inconsistent with local or other applicable law or regulation, impractical, costly or otherwise inadvisable. With respect to any recommendation that the Company considers unduly burdensome, inconsistent with local or other applicable law or regulation, impractical, costly or otherwise inadvisable, the Company need not adopt that recommendation within that time but

shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose. As to any recommendation on which the Company and the Monitor do not agree, such parties shall attempt in good faith to reach an agreement within thirty (30) calendar days after the Company serves the written notice. In the event the Company and the Monitor are unable to agree on an acceptable alternative proposal, the Company shall promptly consult with the Department, which will make a determination as to whether the Company should adopt the Monitor's recommendation or an alternative proposal, and the Company shall abide by that determination. Pending such determination, the Company shall not be required to implement any contested recommendation(s). With respect to any recommendation that the Monitor determines cannot reasonably be implemented within ninety (90) calendar days after receiving the report, the Monitor may extend the time period for implementation with prior written approval of the Department.

6. The Monitor shall undertake at least four (4) follow-up reviews to carry out the Mandate. Within ninety days (90) calendar days of initiating each follow-up review, the Monitor shall: (a) complete the review; (b) certify whether the compliance program of the Company, including its policies and procedures, is reasonably designed and implemented to detect and prevent fraud and money laundering and to comply with the Bank Secrecy Act; and (c) report on the Monitor's findings in the same fashion as set forth in paragraph 4 with respect to the initial review. The first follow-up review shall commence one year after the initial review commenced. The second follow-up review shall commence one year after the first follow-up review commenced. The third follow-up review shall commence one year after the second follow-up review commenced. The fourth follow-up review shall commence one year after the third follow-up review commenced. After consultation with the Company, the Monitor may extend

the time period for these follow-up reviews for up to sixty (60) calendar days with prior written approval of the Department.

7. In undertaking the assessments and reviews described in Paragraphs 3 through 6 of this Agreement, the Monitor shall formulate conclusions based on, among other things: (a) inspection of relevant documents, including the Company's current anti-fraud and anti-money laundering policies and procedures; (b) on-site observation of selected systems and procedures of the Company at sample sites, including internal controls and record-keeping and internal audit procedures; (c) meetings with, and interviews of, relevant employees, officers, directors and other persons at mutually convenient times and places; and (d) analyses, studies and testing of the Company's compliance program with respect to the anti-fraud and anti-money laundering programs.

8. Should the Monitor, during the course of his engagement, discover that questionable or corrupt activity involving fraud-induced money transfers, money laundering or the Company's anti-money laundering program either (a) after the date on which this Agreement or (b) that have not been adequately dealt with by the Company (collectively "improper activities"), the Monitor shall promptly report such improper activities to the Company's General Counsel or Compliance and Ethics Committee for further action. If the Monitor believes that any improper activity or activities may constitute a significant violation of law, the Monitor should also report such improper activity to the Department. The Monitor should disclose improper activities in his discretion directly to the Department, and not to the General Counsel or Compliance and Ethics Committee, only if the Monitor believes that disclosure to the General Counsel or the Compliance and Ethics Committee would be inappropriate under the circumstances, and in such case should disclose the improper activities to the General Counsel or

the Compliance and Ethics Committee of the Company as promptly and completely as the Monitor deems appropriate under the circumstances. The Monitor shall address in his reports the appropriateness of the Company's response to all improper activities, whether previously disclosed to the Department or not. Further, in the event that the Company, or any entity or person working directly or indirectly within the Company, refuses to provide information necessary for the performance of the Monitor's responsibilities, if the Monitor believes that such refusal is without just cause the Monitor shall disclose that fact to the Department. The Company shall not take any action to retaliate against the Monitor for any such disclosures or for any other reason. The Monitor may report any criminal or regulatory violations by the Company or any other entity discovered in the course of performing his duties, in the same manner as described above.

9. The Monitor shall meet with the Department within thirty (30) days after providing each report to the Department to discuss the report. The reports will likely include proprietary, financial, confidential, and competitive business information. Moreover, public disclosure of the reports could discourage cooperation, impede pending or potential government investigations and thus undermine the objectives of the Monitorship. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except as otherwise agreed to by the parties in writing, or except to the extent that the Department determines in its sole discretion that disclosure would be in furtherance of the Department's discharge of its duties and responsibilities or is otherwise required by law.

10. At least annually, and more frequently if appropriate, representatives from the Company and the Department will meet together to discuss the Monitorship and any suggestions,

comments or improvements the Company may wish to discuss with or propose to the Department.

EXHIBIT 3

CERTIFICATE OF CORPORATE RESOLUTIONS

WHEREAS, MONEYGRAM INTERNATIONAL, INC. (the "Company") has been engaged in discussions with the United States Department of Justice, Criminal Division, Money Laundering and Asset Recovery Section and the United States Attorney's Office for the Middle District of Pennsylvania (collectively, the "Department") regarding the Company's compliance with the Deferred Prosecution Agreement (the "Agreement"); and

WHEREAS, in order to resolve such discussions, it is proposed that the Company extend and amend the Agreement with the Department; and

WHEREAS, outside counsel for the Company and outside counsel for the Board of Directors of the Company have advised the Board of Directors of the Company regarding the terms and conditions of the extended and amended Agreement, including advising the Company of its rights, possible defenses, the Sentencing Guidelines' provisions, and the consequences of entering into such agreement with the Department;

Therefore, after deliberation, the Board of Directors has RESOLVED that:

1. The Board of Directors approves the terms and conditions of the proposed extended and amended Agreement between the Company and the Department, including but not limited to the forfeiture of $125,000,000, and the waiver of rights described in paragraph 1 of the Agreement;

2. The Board of Directors (a) acknowledges the November 9, 2012 filing of the two-count Information charging the Company with aiding and abetting wire fraud, in violation of Title 18, United States Code, Sections 1343 and 2, and willfully failing to implement and maintain an effective anti-money laundering program, in violation of Title 31, United States Code, Sections 5318(h) and 5322 and regulations issued thereunder; (b) approves the continued waiver of indictment on such charges and entering into the extended and amended Agreement; and (c) agrees to forfeit $125,000,000 to the United States;

3. The Chairman and Chief Executive Officer, W. Alexander Holmes, is hereby authorized, empowered and directed, on behalf of the Company, to execute the extended and amended Agreement substantially in such form as reviewed by this Board of Directors at this meeting with such changes as the Chairman and Chief Executive Officer, W. Alexander Holmes, may approve;

4. The Chairman and Chief Executive Officer, W. Alexander Holmes, is hereby authorized, empowered and directed to take any and all actions as may be necessary or appropriate and to approve the forms, terms or provisions of any agreement or other documents as may be necessary or appropriate, to carry out and effectuate the purpose and intent of the foregoing resolutions; and

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5. All of the actions of the Chairman and Chief Executive Officer, W. Alexander Holmes, which actions would have been authorized by the foregoing resolutions except that such actions were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved, and adopted as actions on behalf of the Company.

Date: November 7, 2018

By: _____
W. Alexander Holmes
Chief Executive Officer
MoneyGram International, Inc.

COMPANY OFFICER'S CERTIFICATE

I have read the Joint Motion to Amend and Extend the Deferred Prosecution Agreement, the Amendment to and Extension of Deferred Prosecution Agreement, and the Deferred Prosecution Agreement and carefully reviewed every part of it with outside counsel for MONEYGRAM INTERNATIONAL, INC. (the "Company") and outside counsel for the Board of Directors of the Company. I understand the terms of this Agreement, and its extension and amendments, and voluntarily agree, on behalf of the Company, to each of its terms. Before signing this Agreement, including its extension and amendments, I consulted outside counsel for the Company and outside counsel for the Board of Directors of the Company. Counsel fully advised me of the rights of the Company, of possible defenses, and of the consequences of entering into the extension and amendment of the Agreement.

I have carefully reviewed the terms of this Agreement and its extension and amendments with the Board of Directors of the Company. I have advised and caused outside counsel for the Board of Directors of the Company to advise the Board of Directors fully of the rights of the Company, of possible defenses, of the Sentencing Guidelines' provisions, and of the consequences of entering into the Agreement, and its extension and amendments.

No promises or inducements have been made other than those contained in this Agreement, and its extension and amendments. Furthermore, no one has threatened or forced me, or to my knowledge any person authorizing this extended and amended Agreement on behalf of the Company, in any way to enter into this extended and amended Agreement. I am also satisfied with outside counsel's representation in this matter. I certify that I am the Chairman and Chief Executive Officer for the Company and that I have been duly authorized by the Company to execute this Agreement, and its extension and amendments, on behalf of the Company.

Date: November 7, 2018

MONEYGRAM INTERNATIONAL, INC.

By: _____

W. Alexander Holmes
Chairman and Chief Executive Officer
MoneyGram International, Inc.

CERTIFICATE OF COUNSEL

We are counsel for MONEYGRAM INTERNATIONAL, INC. (the "Company") and its Board of Directors, respectively, in the matter covered by this Agreement, and its extension and amendments. In connection with such representations, we have examined relevant Company documents and have discussed the terms of this Agreement, and its extension and amendments, with the Company's Board of Directors. Based on our review of the foregoing materials and discussions, we are of the opinion that the representative of the Company has been duly authorized to enter into this extended and amended Agreement on behalf of the Company and that this extended and amended Agreement has been duly and validly authorized, executed, and delivered on behalf of the Company and is a valid and binding obligation of the Company.

Further, we have carefully reviewed the terms of this Agreement, and its extension and amendments, with the Board of Directors and the Chairman and Chief Executive Officer of the Company. We have fully advised them of the rights of the Company, of possible defenses, of the Sentencing Guidelines' provisions, and of the consequences of entering into this Agreement. To our knowledge, the decision of the Company to enter into this extended and amended Agreement,

based on the authorization of the Board of Directors, is an informed and voluntary one.

Date: Nov. 7, 2018

By: David Zinn/ bm SMC
David M. Zinn
Williams & Connolly LLP
Counsel for MoneyGram International, Inc.

By: Nicolas Bourtin
Nicolas Bourtin
Sullivan & Cromwell LLP
Counsel for the Board of Directors of
MoneyGram International, Inc.

EXHIBIT B

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FEDERAL TRADE COMMISSION, Plaintiff, v. MONEYGRAM INTERNATIONAL, INC., Defendant.	Civil Action No. 09-cv-6576

STIPULATED ORDER FOR COMPENSATORY RELIEF AND MODIFIED ORDER FOR PERMANENT INJUNCTION

Plaintiff, the Federal Trade Commission ("Commission" or "FTC") and Defendant MoneyGram International, Inc. ("MoneyGram"), stipulate to the entry of this Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction ("Order"), resolving the FTC's Unopposed Motion for Entry of Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction ("Unopposed Motion").

THEREFORE, IT IS ORDERED as follows:

FINDINGS

1. This Court has jurisdiction over this matter.

2. On October 21, 2009, the Honorable John F. Grady entered the Stipulated Order for Permanent Injunction and Final Judgment (Dkt. No. 13, "2009 Stipulated Order"), resolving allegations in the Commission's Complaint (Dkt. No. 1, "Complaint") charging Defendant with engaging in unfair or deceptive acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), the Telemarketing Act, 15 U.S.C. §§ 6101-6108, and the Telemarketing Sales

Rule ("TSR"), 16 C.F.R. Part 310, in the course of providing money transfer services to consumers in the United States, through its worldwide money transfer network.

3. The 2009 Stipulated Order enjoined Defendant from, among other things, failing to: establish, implement, and maintain a comprehensive anti-fraud program that is reasonably designed to protect U.S. and Canadian consumers (Section I); conduct thorough due diligence on prospective agents and ensure its written agreements require agents to have effective anti-fraud policies and procedures in place (Section II); adequately monitor its agents by, among other things, providing appropriate and ongoing training, recording all complaints, reviewing transaction activity, investigating agents, taking disciplinary actions against problematic agents, and ensuring its agents are aware of their obligations to detect and prevent fraud and comply with MoneyGram's policies and procedures (Section III); and share consumer complaint information with the FTC for inclusion in Consumer Sentinel, a database available to law enforcement (Section IV).

4. Although the parties stipulate to the entry of this Order resolving the allegations in the FTC's Unopposed Motion and modifying the 2009 Stipulated Order by requiring Defendant to provide more comprehensive relief to protect consumers worldwide, Defendant neither admits nor denies any of the allegations set forth in the Unopposed Motion, except as specifically stated in this Order. Only for purposes of this action, Defendant admits the facts necessary to establish jurisdiction.

5. Defendant waives any claim that it may have under the Equal Access to Justice Act, 28 U.S.C. § 2412, concerning the prosecution of this action through the date of this Order, and agrees to bear its own costs and attorney fees.

6. Defendant and the Commission waive all rights to appeal or otherwise challenge or contest the validity of this Order.

DEFINITIONS

For purposes of this Order, the following definitions apply:

A. **"Cash-to-Cash Money Transfer"** means the transfer of the value of cash from one Person in one location to a recipient (payee) in another location that is received in the form of cash.

B. **"Cash Reload Money Transfer"** means the transfer of the value of cash from one Person in one location to a recipient (payee) in another location that is received in a form that makes it possible for a Person to convert the cash into an electronic form that can be used to add funds to a general-use prepaid card or an account with a payment intermediary.

C. **"Consumer"** means any Person, worldwide, unless otherwise stated, who initiates or sends a Money Transfer.

D. **"Consumer Fraud"** means any fraud or deception involving Fraud-Induced-Money-Transfers.

E. **"Defendant"** means MoneyGram International, Inc., its subsidiaries and affiliates, and its successors and assigns.

F. **"Elevated Fraud Countries"** means any country in which the principal amount of Money Transfers that are the subject of fraud complaints, received by Defendant from any source, represents one (1) percent or more of the principal amount of fraud complaints worldwide received by Defendant, for Money Transfers either sent or received in that country, determined on a quarterly basis, *provided that* once a country is

determined to be one of the Elevated Fraud Countries, it shall continue to be treated as such for purposes of this Order.

G. **"Elevated Fraud Risk Agent Location"** means any MoneyGram Agent location that has processed payouts of Money Transfers associated with:

1. Five (5) or more fraud complaints for such agent location, received by Defendant from any source, during the previous sixty (60) day period, based on a review of complaints on a monthly basis; and fraud complaints, received by Defendant from any source, totaling five (5) percent or more of the total payouts for such agent location in numbers or dollars in a sixty (60) day period, calculated on a monthly basis; or

2. Fifteen (15) or more fraud complaints for such agent location, received by Defendant from any source, during the previous sixty (60) day period, based on a review of complaints on a monthly basis.

H. **"Fraud-Induced Money Transfer"** includes any Money Transfer that was induced by, initiated, or sent as a result of, unfair or deceptive acts or practices and/or deceptive or abusive Telemarketing acts or practices.

I. **"Front Line Employee"** means the employee or associate of the MoneyGram Agent responsible for handling a transaction at the point of sale for a Consumer or a recipient (payee) of a Money Transfer, including by initiating, sending, or paying out the Money Transfer.

J. **"MoneyGram Agent"** means any network agent, chain agent, master agent, seller, correspondent, authorized delegate, standard agent, independent agent, retail agent, super

agent, hybrid agent, subagent, sub-representative, or any location, worldwide, authorized by Defendant to offer or provide any of its Money Transfer products or services.

K. **"Money Transfer"** means the sending of money (in cash or any other form, unless otherwise stated) between a Consumer in one location to a recipient (payee) in another location using Defendant's money transfer service, and shall include transfers initiated or sent in person, online, over the telephone, using a mobile app, at a kiosk, or through whatever platform or means made available, and money transfers received at a kiosk or ATM machine. The term "Money Transfer" does not include Defendant's payment services available to Persons to pay bills or make payments, such as Defendant's urgent or utility bill payment services, and Defendant's pre-paid services for items such as pre-paid cards or cellular phones.

L. **"Person"** includes a natural person, an organization or other legal entity, including a corporation, partnership, sole proprietorship, limited liability company, association, cooperative, or any other group or combination acting as an entity.

M. **"Seller"** means any Person who, in connection with a Telemarketing transaction, provides, offers to provide, or arranges for others to provide goods or services in exchange for consideration.

N. **"Telemarketer"** means any Person who, in connection with Telemarketing, initiates or receives telephone calls to or from a customer.

O. **"Telemarketing"** means any plan, program, or campaign which is conducted to induce the purchase of goods or services by use of one or more telephones, and which involves a telephone call, whether or not covered by the TSR.

P. **"Unusual or Suspicious Money Transfer Activity"** means Money Transfer activity that cannot reasonably be explained or justified, including, but not limited to, the following:

1. Data integrity issues, including, but not limited to, invalid, illegible, incomplete, missing, or conflicting biographical data for Consumers or recipients of Money Transfers;
2. Significant changes in the transaction patterns experienced at the agent location;
3. Significant differences in the transaction patterns experienced at the agent location relative to the patterns experienced at other agent locations in the same country;
4. Activity that is indicative of elder financial exploitation;
5. Irregular concentrations of send and/or pay activity between the agent and one or more other MoneyGram Agent locations;
6. Irregular concentrations of send and/or pay activity between the agent and one or more geographical areas that have been identified as high risk for fraud;
7. Unusual transaction patterns by senders or recipients, including, but not limited to, the same individual sending or receiving consecutive Money Transfers from the same or different agent locations;
8. Flipping patterns (shortly after receiving funds, a large portion of the money is sent to another recipient);
9. Suspicious structuring or splitting of Money Transfers to avoid recordkeeping, identification requirements, or reporting required by law;

10. Suspicious surfing patterns (look-ups of Money Transfers in MoneyGram's system by Front Line Employees that cannot reasonably be explained or justified); or

11. Transactions that have characteristics related, or similar, to the transaction(s) that was (were) reported as fraud.

I.

PROHIBITED BUSINESS ACTIVITIES

IT IS FURTHER ORDERED that Defendant, Defendant's officers, agents, employees, and all other Persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with promoting, offering for sale, or providing Money Transfer services, are permanently restrained and enjoined from:

A. Transmitting a Money Transfer that Defendant knows or should know is a Fraud-Induced Money Transfer, or paying out a Money Transfer to any Person that Defendant knows or should know is using its system to obtain funds from a Consumer, directly or indirectly, as a result of fraud;

B. Providing substantial assistance or support to any Seller or Telemarketer that Defendant knows or should know is accepting from a U.S. Consumer, directly or indirectly, a Money Transfer as payment for goods or services offered or sold through Telemarketing;

C. Failing to do any of the following in connection with Money Transfers initiated by Consumers:

1. Interdict recipients that have been the subject of any complaints about Fraud-Induced Money Transfers based on information provided to, or that becomes known by, Defendant;

2. Identify, prevent, and stop Cash-to-Cash Money Transfers and Cash Reload Money Transfers initiated or received in the U.S. that Defendant knows or should know are being used to pay Sellers or Telemarketers, including, but not limited to, by:

   a. Asking all U.S. Consumers whether the Money Transfer is a payment for goods or services offered or sold through Telemarketing;

   b. Declining to process Money Transfers from U.S. Consumers where the Money Transfer is a payment for goods or services offered or sold through Telemarketing; and

   c. Interdicting known Sellers and Telemarketers accepting Money Transfers as payments for goods or services offered through Telemarketing;

3. Provide a clear, concise, conspicuous, and uncontradicted Consumer Fraud warning on the front page of all Money Transfer forms, paper or electronic, utilized by Consumers in Elevated Fraud Countries to initiate Money Transfers using Defendant's system that includes, at a minimum:

   a. A list of the most common types of scams that utilize Defendant's Money Transfer system;

   b. A warning that it is illegal for any Seller or Telemarketer to accept payments from U.S. Consumers through Money Transfers for goods or services offered or sold through Telemarketing;

   c. A notice to Consumers that the Money Transfer can be paid out to the recipient within a short time, and after the money is paid out, Consumers' ability to obtain a refund from Defendant may be limited; and

d. A toll-free or local number and a website for Defendant, subject to the timing requirements set forth in Subsection C.4, that Consumers may call or visit to obtain assistance and file a complaint if their Money Transfer was procured through fraud;

4. Make available in all countries in which Defendant offers Money Transfer services a website that Consumers may visit to obtain assistance and file a complaint if they claim their Money Transfer was procured through fraud, *provided that* websites that are not yet available shall be made available in accordance with the following schedule: (i) for countries determined to be Elevated Fraud Countries as of the entry of this Order, within six (6) months of entry of this Order; and (ii) for all other countries, within two (2) years of entry of this Order;

5. Provide Consumers who initiate or send Money Transfers via the Internet, telephone, mobile app, kiosk, or any other platform that is not in-person, with substantially the same clear, concise, conspicuous, and uncontradicted fraud warning required by Subsection C.3, *provided that* the warning may be abbreviated to accommodate the specific characteristics of the media or platform;

6. Review and update the Consumer warning, at a minimum annually, to ensure its effectiveness in preventing Fraud-Induced Money Transfers; and

7. Submit modifications to the warning, if any, to the Commission for review no less than ten (10) business days before any modified warning is disseminated to MoneyGram Agents; *provided that* nothing herein shall prohibit Defendant from changing the nature or form of its service, send forms, or media or platform for

offering Money Transfer services or from seeking to replace its send forms with an electronic form or entry system of some type in the future. In the event such changes are made, Defendant shall provide a fraud warning substantially similar to that outlined in Subsection C.3 in a form appropriate to the media or platform;

D. Failing to reimburse the principal amount of a Consumer's Money Transfer and any associated Money Transfer fees whenever a Consumer or his or her authorized representative reasonably claims that the transfer was fraudulently induced and:

1. The Consumer or his or her authorized representative asks Defendant, the sending agent, or Front Line Employees to reverse the transfer before the transferred funds have been picked up; or

2. Defendant, after reviewing information and data relating to the Money Transfer, determines that Defendant, its agents, or the Front Line Employees failed to comply with any of Defendant's policies and procedures relating to detecting and preventing Fraud-Induced Money Transfers when sending or paying out the Money Transfer by failing to: provide the required Consumer Fraud warnings; comply with Defendant's interdiction or callback programs; verify the recipient's identification; or accurately record the recipient's identification(s) and other required biographical data;

E. Failing to promptly provide information to a Consumer, or his or her authorized representative, who reports being a victim of fraud to Defendant, about the name of the recipient of the Consumer's Money Transfer and the location where it was paid out, when such information is reasonably requested; and

F. Failing to establish and implement, and thereafter maintain, a comprehensive anti-fraud program that is designed to protect Consumers by detecting and preventing Fraud-Induced Money Transfers worldwide, and to avoid installing or doing business with agents who appear to be involved or complicit in processing Fraud-Induced Money Transfers or who fail to comply with Defendant's policies and procedures to detect and prevent fraud (hereinafter referred to as "Defendant's Anti-Fraud Program" or "Program"). To satisfy this requirement, Defendant must, at a minimum:

1. Fully document in writing the content and implementation of the Program and provide that documentation to the FTC;
2. Implement the Program within four (4) months of the entry of this Order;
3. Design and implement administrative, technical, and physical safeguards to detect and prevent Fraud-Induced Money Transfers, accounting for the volume and complexity of Defendant's Money Transfer system. Such safeguards shall include at a minimum:
    a. Performance of due diligence on all prospective MoneyGram Agents and existing MoneyGram Agents whose contracts are up for renewal, which at a minimum meets the requirements in Section II of this Order;
    b. Designation of a qualified employee or employees to coordinate and be accountable for Defendant's Anti-Fraud Program;
    c. Education and training on Consumer Fraud for MoneyGram Agents and Front Line Employees, which at minimum address the topics listed in Section III.A of this Order;

d. Monitoring of MoneyGram Agent and Front Line Employee activity related to the prevention of Fraud-Induced Money Transfers, including, but not limited to, the measures in Section III.B of this Order;

e. Prompt disciplinary action against MoneyGram Agent locations and Front Line Employees where necessary to prevent Fraud-Induced Money Transfers, which at minimum meets the requirements in Section III.C of this Order;

f. Systematic controls to detect and prevent Fraud-Induced Money Transfers, including, but not limited to:

i. To the extent permitted by law, requiring all Persons to provide a government-issued identification document (ID) in order to receive a Money Transfer through a MoneyGram Agent;

ii. Establishing certain dollar thresholds for Money Transfers to Elevated Fraud Countries and holding Money Transfers exceeding such dollar thresholds to Elevated Fraud Countries until Defendant has confirmed with the sender that they are not Fraud-Induced Money Transfers or has refunded the money to the sender; and

iii. Ensuring that MoneyGram Agent locations are recording all required information about recipients required by Defendant's policies or procedures or by law, including,

but not limited to, their names, addresses, telephone numbers, and identifications, before paying out Money Transfers; and

g. Periodic evaluation and adjustment of Defendant's Anti-Fraud Program in light of:

i. The results of the monitoring required by Subsection F.3.d of this Section and Section III of this Order;

ii. Any material changes to Defendant's operations or business arrangements; or

iii. Any other circumstances that Defendant knows or should know may have a material impact on the effectiveness of Defendant's Anti-Fraud Program, *provided that* Defendant shall notify the FTC in writing of the adjustments to Defendant's Anti-Fraud Program, and reasons for such adjustments, no more than thirty (30) days after any material modification to Defendant's Anti-Fraud Program has been implemented.

II.

DUE DILIGENCE ON PROSPECTIVE AND EXISTING MONEYGRAM AGENTS

IT IS FURTHER ORDERED that Defendant, Defendant's officers, agents, employees, and all other Persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with promoting, offering for sale, or providing Money Transfer services, are hereby restrained and enjoined from:

A. Failing to conduct thorough due diligence on all Persons applying to become, or renewing their contracts as, MoneyGram Agents, including any sub-representative or subagent, to avoid installing MoneyGram Agents worldwide who may become Elevated Fraud Risk Agent Locations, including, but not limited to, by:

1. Verifying the Person's government-issued identification;

2. Conducting necessary background checks (criminal, employment, or otherwise) where permissible under local law;

3. Determining whether information or statements made during the agent application process are false or inconsistent with the results of Defendant's background checks or other due diligence;

4. Taking all steps necessary to ascertain, consistent with industry standards and guidance, whether the prospective agent formerly owned, operated, had been a Front Line Employee of, or had a familial, beneficial, or straw relationship with any location of any money services business that was suspended or terminated for fraud-related reasons, as permitted by applicable laws and regulations (including foreign laws and regulations) and with the required cooperation from other Money Transfer companies;

5. Ascertaining whether the prospective agent had previously been interdicted by Defendant for suspicious activities or had been reported to Defendant as a recipient of Fraud-Induced Money Transfers;

6. Conducting an individualized assessment of the particular risk factors involved with each MoneyGram Agent application and conducting necessary investigative steps consistent with those risks; and

7. Maintaining information about Defendant's due diligence, including, but not limited to, information about the identities of the agent owners, their government-issued identifications, and the background check(s) conducted;

B. Failing to reject applications where Defendant becomes aware or should have become aware based upon its due diligence that the applicant, or any of the applicant's sub-representatives or subagents, presents a material risk of becoming an Elevated Fraud Risk Agent Location;

C. Failing to ensure that the written agreements entered into with all new MoneyGram Agents require them to comply with Section I.C.2 of this Order;

D. Failing to ensure that all new MoneyGram Agents have effective policies and procedures in place at each of the agent's locations to detect and prevent Fraud-Induced Money Transfers and other acts or practices that violate Section I of this Order;

E. Failing to confirm that MoneyGram Agents whose contracts are up for renewal are complying with the terms of their agreements with Defendant, including, but not limited to, by having effective policies and procedures in place to detect and prevent Fraud-Induced Money Transfers; and

F. Failing to require all new MoneyGram Agents, and existing MoneyGram Agents, to: (i) disclose and update the identities of any sub-representative or subagent; and (ii) direct their subagents or sub-representatives to maintain records on the identities of their Front Line Employees.

III.

MONITORING COMPLIANCE OF MONEYGRAM AGENTS

IT IS FURTHER ORDERED that Defendant, Defendant's officers, agents, employees, and all other Persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with promoting, offering for sale, or providing Money Transfer services, are hereby restrained and enjoined from:

A. Failing to provide ongoing education and training on Consumer Fraud for all MoneyGram Agents, Front Line Employees, and other appropriate MoneyGram personnel, including, but not limited to, education and training on detecting, investigating, preventing, reporting, and otherwise handling suspicious transactions and Fraud-Induced Money Transfers, and ensuring that all MoneyGram Agents and Front Line Employees are notified of their obligations to comply with Defendant's policies and procedures and to implement and maintain policies and procedures to detect and prevent Fraud-Induced Money Transfers or other acts or practices that violate Section I of this Order;

B. Failing to monitor and investigate MoneyGram Agent location activity to detect and prevent Fraud-Induced Money Transfers, including, but not limited to:

1. Developing, implementing, adequately staffing, and continuously operating and maintaining a system to receive and retain all complaints and data received from any source, anywhere in the world, involving alleged Fraud-Induced Money Transfers, and taking steps necessary to obtain, record, retain, and make easily accessible to Defendant and, upon request, the FTC, all relevant information

regarding all complaints related to alleged Fraud-Induced Money Transfers, including, but not limited to:

a. The Consumer's name, address, and telephone number;

b. The substance of the complaint, including the fraud type and fraud method, and the name of any Person referenced;

c. The reference number for each Money Transfer related to the complaint;

d. The name, agent identification number, telephone number, and address of the sending agent(s);

e. The date of each Money Transfer;

f. The amount of each Money Transfer;

g. The Money Transfer fee for each Money Transfer;

h. The date each Money Transfer is received;

i. The name, agent identification number, telephone number, and address of the receiving agent(s);

j. The name, address, and telephone number of the recipient, as provided by the recipient, of each Money Transfer;

k. The identification, if any, presented by the recipient, and recorded, for each Money Transfer;

l. All transactions conducted by the Consumer bearing any relationship to the complaint;

m. To the extent there is any investigation concerning, and/or resolution of, the complaint:

i. The nature and result of any investigation conducted concerning the complaint;

ii. Any response to the complaint and the date of such response to the complaint;

iii. The final resolution of the complaint, the date of such resolution, and an explanation for the resolution; and

iv. If the resolution does not include the issuance of a refund, the reason for the denial of a refund;

2. Taking steps to identify MoneyGram Agents and Front Line Employees involved or complicit in fraud, including, at a minimum, by conducting the reviews and analyses set forth in Subsections B.4 and 5 of this Section;

3. Routinely reviewing and analyzing data regarding the activities of MoneyGram Agent locations in order to identify the following:

a. Agent locations that have processed transactions associated with two (2) or more complaints about alleged Fraud-Induced Money Transfers, received by Defendant from any source, during a thirty (30) day period; and

b. Elevated Fraud Risk Agent Locations, as defined in Definition G;

4. For agent locations identified pursuant to Subsection B.3.a of this Section, investigating the agent location by reviewing transaction data and conducting analyses to determine if the agent location displayed, at a minimum, the Unusual or Suspicious Money Transfer Activity as set forth in Definition P.1-2, 4-9, and 11, and if Defendant's findings indicate that the agent location has engaged in any

of those activities, fully investigating the agent location as required by Subsection B.5 of this Section; and

5. For Elevated Fraud Risk Agent Locations identified pursuant to Subsection B.3.b of this Section, fully investigating the agent location by reviewing transaction data and conducting analyses to determine if the agent location displayed any Unusual or Suspicious Money Transfer Activity as defined in Definition P;

C. Failing to take at least the following actions to prevent further Fraud-Induced Money Transfers:

1. Suspending MoneyGram Agent locations, as follows, pending further investigation to determine whether the MoneyGram Agent locations can continue operating consistent with this Order's requirements:

a. For agent locations identified pursuant to Subsection B.3.a of this Section, if the investigation of the agent location required by Subsection B.4 of this Section is not completed within fourteen (14) days after the agent location is identified, suspending the MoneyGram Agent location's ability to conduct further Money Transfers until the investigation is completed; and

b. For Elevated Fraud Risk Agent Locations identified pursuant to Subsection B.3.b of this Section, immediately suspending the MoneyGram Agent's ability to conduct further Money Transfers until the review required by Subsection B.5 of this Section is completed, *except that*, for a MoneyGram Agent that is a bank or bank branch and otherwise subject to this immediate suspension requirement by virtue of fraud complaints about Money Transfers that are transferred directly into its account

holders' bank accounts, Defendant shall comply with Subsection III.C.1.a. and also permanently block, or request that the MoneyGram Agent block, all further Money Transfers to bank accounts for which Defendant has received any fraud complaint;

2. Upon completion of the investigation, terminating, suspending, or restricting MoneyGram Agent locations as follows:

   a. Terminating or suspending the MoneyGram Agent location, or restricting the agent location's ability to send and/or receive certain Money Transfers, if the findings indicate that the MoneyGram Agent location is not, or has not been, complying with Defendant's Anti-Fraud Program and other policies and procedures relating to detecting and preventing Fraud-Induced Money Transfers, including, but not limited to, by failing to collect and record required and accurate biographical information about, and government-issued identifications for, the recipients of Money Transfers; and

   b. Terminating the MoneyGram Agent location if the findings indicate that any of the MoneyGram Agent location's owners, management, or supervisors, or any of its current Front Line Employees are, or may be, complicit in the Fraud-Induced Money Transfers, the agent location has failed to comply with Section IV of this Order, or the agent location has repeatedly failed to comply with Defendant's Anti-Fraud and other policies and procedures relating to detecting and preventing Fraud-Induced Money Transfers;

3. On at least a monthly basis, ensuring that all MoneyGram Agents in Elevated Fraud Countries receive notice of the substance of any complaints Defendant received involving transactions processed by the agent locations; and

4. Ensuring that all MoneyGram Agents are enforcing effective policies and procedures to detect and prevent Fraud-Induced Money Transfers, or other acts or practices that violate Section I of this Order; and

D. Failing to establish anti-fraud controls to ensure that, prior to paying out Money Transfers, MoneyGram Agent locations are recording all required information about the recipients of Money Transfers, including, but not limited to, the recipients' names, addresses, telephone numbers, and identifications, and are verifying the identification presented by the recipients or, for Money Transfers that are directed to bank accounts, are recording the identities of the account holders.

IV.

REQUIREMENTS FOR ELEVATED FRAUD RISK AGENT LOCATIONS

IT IS FURTHER ORDERED that Defendant, Defendant's officers, agents, employees, and all other Persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with promoting, offering for sale, or providing Money Transfer services, shall require and ensure that all Elevated Fraud Risk Agent Locations that are still operating do the following for one (1) year from the date that Defendant identifies the agent as an Elevated Fraud Risk Agent Location under the terms of this Order:

A. For Money Transfers that are not transferred directly into a recipient's bank account, photocopy or scan the identification documents or biometric information presented by the

recipient and retain the photocopies or images, along with the receive forms, for a period of five (5) years; and

B. Demonstrate during compliance reviews or mystery shops, which Defendant shall conduct on at least a quarterly basis, that the agent location is complying with the requirements in this Section;

Provided, however, that if Defendant reasonably believes that complying with Subsection A of this Section for Money Transfers received by an Elevated Fraud Risk Agent Location in a particular foreign jurisdiction would violate that jurisdiction's laws, Defendant may instead, upon notice to Commission staff, block all Money Transfers from the United States to that Elevated Fraud Risk Agent Location or, with the agreement of Commission staff, take other action at that location to protect Consumers from fraud.

V.

SHARING COMPLAINT INFORMATION

IT IS FURTHER ORDERED that, Defendant, Defendant's officers, agents, employees, and all other Persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, shall, in addition to, or as a modification of, any other policy or practice that the Defendant may have, including Defendant's ongoing submission of information to the FTC for inclusion in the Consumer Sentinel Network ("Consumer Sentinel"):

A. When Defendant is contacted with a complaint about alleged fraudulent activity associated with a Money Transfer, provide notice to the Consumer, or his or her authorized representative, that (i) Defendant's practice is to share information regarding the Consumer's Money Transfer and complaint with law enforcement, including a

database used by law enforcement authorities in the United States and other countries; and (ii) if the Consumer does not want his or her name, address, telephone number, and identification shared with law enforcement, Defendant will honor that request unless applicable law permits or requires Defendant to provide that information; and

B. Regularly, but no less often than every thirty (30) days, submit electronically to the FTC, or its designated agent, for inclusion in Consumer Sentinel, all relevant information Defendant possesses regarding complaints received from Consumers, their authorized representatives, or any other source, anywhere worldwide, about alleged Fraud-Induced Money Transfers and regarding the underlying transfer itself, including, but not limited to, the information set forth in Section III.B.1.a through III.B.1.l. *Provided*, *however*, if Defendant receives a request from a Consumer or the Consumer's authorized representative, which is documented by Defendant, stating that the Consumer does not want his or her name, address, telephone number, and identification shared with the database, or if Defendant received the complaint from a source other than the Consumer or the Consumer's authorized representative, Defendant shall submit to the FTC an anonymized complaint with the Consumer's name, address, telephone number, and identification redacted. *Provided*, *further*, that Defendant shall cooperate with the FTC in order to facilitate compliance with this Section.

VI.

CORPORATE COMPLIANCE MONITOR PURSUANT TO DEFERRED PROSECUTION AGREEMENT

Defendant shall comply with the Department of Justice's ("DOJ") Deferred Prosecution Agreement ("DPA") Corporate Compliance Monitor requirement pursuant to Paragraphs 10 through 13 and Attachment D of the DPA filed in *United States v. MoneyGram International,*

Inc., No. 12-CR-00291 (M.D. Pa. Nov. 9, 2012) (Docket No. 3), and the subsequent Amendment to and Extension of the DPA, filed on November 8, 2018 (Docket No. 34-1) ("DPA Amendment"), and shall provide the Commission each of the Corporate Compliance Monitor's reports within fifteen (15) days of receipt.

VII.

MONETARY JUDGMENT FOR COMPENSATORY RELIEF

IT IS FURTHER ORDERED THAT:

A. Judgment in the amount of One Hundred Twenty-Five Million Dollars ($125,000,000) is entered in favor of the Commission against Defendant as equitable monetary relief for consumer redress.

B. Defendant shall satisfy the judgment in Subsection A of this Section by complying with the payment requirements set forth in Paragraphs 10 and 11 of the DPA Amendment filed in *United States v. MoneyGram International, Inc.*, No. 12-CR-00291 (M.D. Pa.).

C. Defendant relinquishes dominion and all legal and equitable right, title, and interest in all assets transferred pursuant to this Order and Paragraphs 10 and 11 of the DPA Amendment and may not seek the return of any assets;

D. The facts alleged in the Complaint and Unopposed Motion will be taken as true, without further proof, in any subsequent civil litigation by or on behalf of the Commission, including in a proceeding to enforce its rights to any payment or monetary judgment pursuant to this Order, such as a nondischargeability complaint in any bankruptcy case;

E. The facts alleged in the Complaint and Unopposed Motion establish all elements necessary to sustain an action by the Commission pursuant to Section 523(a)(2)(A) of the

Bankruptcy Code, 11 U.S.C. § 523(a)(2)(A), and this Order will have collateral estoppel effect for such purposes;

F. Defendant acknowledges that its Employer Identification Number, which Defendant must submit to the Commission, may be used for collecting and reporting on any delinquent amount arising out of this Order, in accordance with 31 U.S.C. § 7701;

G. All money paid pursuant to this Order and Paragraphs 10 and 11 of the DPA Amendment shall be deposited into the DOJ or the Department of the Treasury Assets Forfeiture Funds. The funds shall be administered by the FTC and DOJ to compensate the fraud victims described in the FTC's Unopposed Motion and the DOJ's and Defendant's Joint Motion to Extend and Amend the DPA (Docket No. 34). Defendant has no right to challenge any actions taken by DOJ, the FTC, or their representatives, pursuant to this Subsection; and

H. No asset transfer required by this Order should be deemed, or deemed in lieu of, a fine, penalty, forfeiture, or punitive assessment. Defendant's satisfaction of the judgment through a payment pursuant to the DPA Amendment is not intended to alter the remedial nature of the judgment.

VIII.

2009 STIPULATED ORDER VACATED

IT IS FURTHER ORDERED that this Order supersedes the 2009 Stipulated Order entered by this Court, which is hereby vacated as moot.

IX.

ORDER ACKNOWLEDGMENT

IT IS FURTHER ORDERED that Defendant obtain acknowledgments of receipt of this Order:

A. Defendant, within seven (7) days of entry of this Order, must submit to the Commission an acknowledgment of receipt of this Order sworn under penalty of perjury;

B. For ten (10) years after entry of this Order, Defendant must deliver, or cause to be delivered, by electronic or other means a copy of this Order to: (1) all principals, officers, directors, and LLC managers and members; (2) all employees, agents, and representatives who participate in conduct related to the subject matter of this Order, including, but not limited to, MoneyGram Agents and employees who are involved in any way with Consumer Fraud complaints or who are involved in the hiring, training, or monitoring of MoneyGram Agents; and (3) any business entity resulting from any change in structure as set forth in the Section titled Compliance Reporting. Defendant must send a copy of this Order to current personnel within fourteen (14) days of entry of this Order. For all others, delivery must occur before they assume their responsibilities; and

C. From each individual or entity to which a Defendant delivered a copy of this Order, Defendant must obtain, within thirty (30) days, a signed and dated acknowledgment of receipt of this Order. *Provided that*, in the event that Defendant is unable to secure such acknowledgements from all current MoneyGram Agents, despite notice of this requirement, Defendant shall retain proof of distribution of this Order to all current MoneyGram Agents, such as an electronic mail receipt, a certified mail receipt, or an affidavit of service.

X.

COMPLIANCE REPORTING

IT IS FURTHER ORDERED that Defendant make timely submissions to the Commission:

A. One (1) year after entry of this Order, Defendant must submit a compliance report, sworn under the penalty of perjury by a senior corporate manager, or a senior officer responsible for Defendant's Anti-Fraud Program, based on personal knowledge or knowledge gained from company officials or subject matter experts with requisite knowledge, that:

1. Identifies the primary physical, postal, and email address and telephone number, as designated points of contact, which representatives of the Commission may use to communicate with Defendant;

2. Identifies any business entity that Defendant has any ownership interest in or controls directly or indirectly that may affect compliance obligations arising under this Order;

3. Describes in detail whether and how Defendant is in compliance with each Section of this Order, including, but not limited to, describing the following:

   a. The number of MoneyGram Agents, by country, identified by the procedures in Section III.B.3 of this Order;

   b. The names, addresses, and telephone numbers of all MoneyGram Agent locations that have been suspended, restricted, or terminated by Defendant for reasons related to Fraud-Induced Money Transfers, the dates of and the specific reasons for the suspensions, restrictions, or terminations, and, for

MoneyGram Agents that have been reactivated after suspension, the dates of the reactivations; and

c. Evidence showing that Defendant has and is complying with the requirements of Sections I through V of this Order;

4. Indicates that Defendant is not aware of any material noncompliance that has not been (1) corrected or (2) disclosed to the Commission; and

5. Includes a copy of each Order Acknowledgment obtained pursuant to this Order, unless previously submitted to the Commission.

B. Annually, unless otherwise stated in this Subsection, for a period of twelve (12) years after Defendant's submission of the compliance report required by Subsection A of this section, Defendant shall submit a compliance report, sworn under penalty of perjury by a senior corporate manager, or a senior officer responsible for Defendant's Anti-Fraud Program, based on personal knowledge or knowledge gained from company officials or subject matter experts with requisite knowledge, that:

1. Notifies the Commission of any change in any designated point of contact within fourteen (14) days of the change;

2. Notifies the Commission of any change in the structure of any entity that Defendant has any ownership interest in or controls directly or indirectly that may affect compliance obligations arising under this Order, including: creation, merger, sale, or dissolution of the entity or any subsidiary, parent, or affiliate that engages in any acts or practices subject to this Order, within fourteen (14) days of the change;

3. Describes in detail whether and how Defendant is in compliance with each Section of this Order, including, but not limited to, describing the following:

   a. The number of MoneyGram Agents, by country, identified by the procedures in Section III.B.3 of this Order;

   b. The names, addresses, and telephone numbers of all MoneyGram Agents that have been suspended, restricted, or terminated by Defendant for reasons related to Fraud-Induced Money Transfers, the dates of and the specific reasons for the suspensions, restrictions, or terminations, and, for MoneyGram Agents that have been reactivated after suspension, the dates of the reactivations;

   c. Evidence showing that Defendant has and is complying with the requirements of Sections I through V of this Order; and

4. Indicates that Defendant is not aware of any material noncompliance that has not been (1) corrected or (2) disclosed to the Commission.

C. Defendant must submit to the Commission notice of the filing of any bankruptcy petition, insolvency proceeding, or similar proceeding by or against Defendant within fourteen (14) days of its filing;

D. Any submission to the Commission required by this Order to be sworn under penalty of perjury must be true and accurate and comply with 28 U.S.C. § 1746, such as by concluding: "I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on: _____" and supplying the date, signatory's full name, title (if applicable), and signature; and

E. Unless otherwise directed by a Commission representative in writing, all submissions to the Commission pursuant to this Order must be emailed to DEbrief@ftc.gov or sent by overnight courier (not the U.S. Postal Service) to: Associate Director for Enforcement, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580. The subject line must begin: FTC v. MoneyGram, X_____.

XI.

RECORDKEEPING

IT IS FURTHER ORDERED that Defendant must create certain records for twelve (12) years after entry of this Order, and retain each such record for five (5) years. Specifically, Defendant must create and retain the following records:

A. Defendant's current written programs and policies governing the detection and prevention of Consumer Fraud and the installation and oversight of its agents, including, but not limited to, its Anti-Fraud Program;

B. Defendant's current policies and procedures governing Consumer Fraud education or training provided to MoneyGram Agents or other appropriate personnel;

C. All MoneyGram Agent applications, records reflecting due diligence conducted by Defendant with respect to such applications, and with respect to agents whose contracts come up for renewal, and written agreements entered into with MoneyGram Agents;

D. Records of all complaints and refund requests, whether received directly or indirectly, such as through a third party, from any source, anywhere in the world, about potentially Fraud-Induced Money Transfers, and any response, including, but not limited to, the information listed in Section III.B.1 of this Order;

E. Records reflecting all steps Defendant has taken to monitor the activity of its agents to detect, reduce, and prevent Consumer Fraud, including, but not limited to, records of Defendant's reviews, audits, or investigations of MoneyGram Agents associated with Consumer Fraud, communications with such agents regarding Consumer Fraud matters, and any remedial action taken against agents due to fraud;

F. Copies of documents relating to compliance reviews or mystery shops conducted by Defendant of Elevated Fraud Risk Agent Locations pursuant to Section IV of this Order; and

G. All records necessary to demonstrate full compliance with each provision of this Order, including all submissions to the Commission.

XII.

COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for the purpose of monitoring Defendant's compliance with this Order and any failure to transfer any assets as required by this Order:

A. Within fourteen (14) days of receipt of a written request from a representative of the Commission, Defendant must: submit additional compliance reports or other requested information, which must be sworn under penalty of perjury; appear for depositions; and produce documents for inspection and copying. The Commission is also authorized to obtain discovery, without further leave of court, using any of the procedures prescribed by Federal Rules of Civil Procedure 29, 30 (including telephonic depositions), 31, 33, 34, 36, 45, and 69;

B. For matters concerning this Order, the Commission is authorized to communicate directly with Defendant. Defendant must permit representatives of the Commission to interview

any employee or other Person affiliated with Defendant who has agreed to such an interview. The Person interviewed may have counsel present; and

C. The Commission may use all other lawful means, including posing, through its representatives as Consumers, suppliers, or other individuals or entities, to Defendant or any individual or entity affiliated with Defendant, without the necessity of identification or prior notice. Nothing in this Order limits the Commission's lawful use of compulsory process, pursuant to Sections 9 and 20 of the FTC Act, 15 U.S.C. §§ 49, 57b-1.

XIII.

RETENTION OF JURISDICTION

IT IS FURTHER ORDERED that this Court retains jurisdiction of this matter for purposes of construction, modification, and enforcement of this Order.

SO ORDERED this 13th day of November, 2018.

Manish S. Shah
UNITED STATES DISTRICT JUDGE

SO STIPULATED AND AGREED:

PLAINTIFF FEDERAL TRADE COMMISSION

_____ Dated:_____

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230 South Dearborn Street, Suite 3030
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DEFENDANT MONEYGRAM INTERNATIONAL, INC.

_____ Dated:_____

W. ALEXANDER HOLMES
Director and Chief Executive Officer

COUNSEL FOR DEFENDANT MONEYGRAM INTERNATIONAL, INC.

_____ Dated:_____

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