UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 75671 / August 12, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16741

In the Matter of **DJSP ENTERPRISES, INC.,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against DJSP Enterprises, Inc. ("DJSP" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. From at least April 2010 through approximately September 2010 (the "Relevant Period"), DJSP Enterprises, Inc. ("DJSP") prematurely recognized revenue related to its foreclosure processing services in its financial statements filed with the Commission. DJSP was in the business of, among other things, providing administrative paperwork processing services in connection with residential mortgage foreclosures. DJSP's premature revenue recognition departed from generally accepted accounting principles ("GAAP"). DJSP prematurely recognized revenue because it underestimated the average amount of time required to process foreclosure files and also misallocated revenue at various stages of the foreclosure process. As a result, DJSP overstated revenues by at least 7% for 2008, 10% for 2009, 20% for the first quarter of 2010, and 7% for the second quarter of 2010.

Respondent

2. DJSP, a British Virgin Islands corporation based in Plantation, Florida, provided non-legal processing services in connection with residential mortgage foreclosures. DJSP's ordinary shares were registered with the Commission pursuant to Section 12(b) of the Exchange Act until June 2011, 90 days after DJSP filed a Form 25 with the Commission voluntary delisting and deregistering its common stock. DJSP's stock traded on the NASDAQ until March 8, 2011. DJSP's stock is currently quoted on OTC Link operated by OTC Markets Group, Inc. DJSP no longer operates in the mortgage foreclosure business.

Other Relevant Entity

3. The Law Offices of David J. Stern, P.A. ("Law Firm"), a law firm located in Plantation, Florida. The Law Firm provided clients with legal services and related non-legal support in connection with residential mortgage foreclosures, bankruptcy, complex real estate litigation, evictions and lender foreclosure sales. In August 2010, the Law Firm became the subject of an investigation by the Florida Attorney General concerning allegations of robo-signing. In March 2011, the Law Firm ceased the practice of law with respect to all foreclosure matters in Florida.

Facts

Background

4. Following the real estate market crash in 2008, the Law Firm experienced rapid growth in its foreclosure business in Florida. The Law Firm represented as clients numerous large banks that serviced mortgages.

5. DJSP was created on January 15, 2010, when a publicly traded special purpose acquisition company purchased and took public the non-legal, back office operation of the privately held Law Firm responsible for foreclosure paperwork processing (the "Processing

Division"). The Processing Division included all of the services provided by the Law Firm's paralegals and other non-lawyers related to residential mortgage foreclosures.

6. In connection with DJSP's formation, DJSP and the Law Firm entered into a written 25-year Services Agreement in which the Law Firm agreed to utilize exclusively DJSP's processing services for all non-legal services the Law Firm required for its mortgage foreclosure business. Pursuant to the Services Agreement, DJSP charged the Law Firm a fixed fee for each foreclosure file DJSP processed for the Law Firm. The Law Firm, in turn, billed its clients for the Law Firm's legal fees, including the processing fees it paid DJSP.

DJSP Needed Carve-Out Financials

7. When the Processing Division spun off into publicly-traded DJSP, DJSP was required to file with the Commission periodic reports that included audited financial statements prepared in conformity with GAAP. In order to prepare such statements, DJSP was required to have financial statements for the Processing Division for 2008 and 2009 prepared as if the Processing Division had been a standalone entity. These statements, known as "carve out financials," had to be prepared using a GAAP compliant method for recognizing revenues, meaning revenue would be recognized when earned and realized. Prior to DJSP's formation, the Law Firm, including its Processing Division, functioned on a cash-based method, meaning revenue was recognized when cash was received.

8. In preparation for taking DJSP public, to assist in preparing financial statements for DJSP on a GAAP compliant method, the Law Firm hired a business consulting firm to provide financial advisory services. The consulting firm provided the Law Firm assistance with respect to accounting issues because the Law Firm's limited accounting staff lacked experience with GAAP compliant accounting methods required for a publicly traded company. The Law Firm also hired a public accounting firm to audit the 2008 and 2009 carve out financial statements for the Law Firm's Processing Division.

DJSP's Revenue Recognition Model

9. In an effort to prepare GAAP compliant financial statements reflecting revenue for foreclosure processing services, the consulting firm calculated an estimate of the average length of time required to process a foreclosure file based on a timeline of certain steps or "milestones" in the foreclosure process. These milestones included the average times in which certain events occurred, such as filing of a complaint for foreclosure, filing of a motion for summary judgment, issuance of a judgment, and property sale. The consulting firm requested data from the Law Firm regarding the timing of the milestones for certain of the Law Firm's foreclosure case files, and determined that the average length of time it took to process a foreclosure file was between 120 and 240 days in 2008 and 240 days in 2009, through using what the consulting firm and DJSP referred to as the "lag analysis." Based on this lag analysis, carve-out financials were prepared for DJSP separating the processing division (DJSP) from the Law Firm.

10. The public accounting firm that audited the Processing Division's 2008 and 2009 financial statements reviewed the consulting firm's determination of the average length of time to process a foreclosure file, and did not disagree with the consulting firm's determination. However, as early as October 2009, the public accounting firm identified a significant deficiency in the area of revenue recognition. The accounting firm repeated this concern in a management letter sent to DJSP in April 2010.

DJSP Prematurely Recognized Revenue in Its Financial Statements

11. Using the average times for processing foreclosure files of between 120 and 240 days in the year 2008 and 240 days in the year 2009, DJSP reported total revenues of $107 million for 2008 and $121 million for 2009 in its Form 20-F for the fiscal period ended December 31, 2009, filed on April 2, 2010 ("Form 20-F"), of which approximately $65 million and $73 million, respectively, was for foreclosure processing services. DJSP reported in its Form 20-F that it used the proportional performance method for recognizing revenue for foreclosure files, using certain milestones based on work performed, and that it calculated revenue based on the 240-day average estimate for closing foreclosure files. This information was repeated in subsequent amendments to the Form 20-F filed on April 26, 2010, June 25, 2010, and July 1, 2010.

12. DJSP reported in its Form 20-F that for fiscal years 2008 and 2009, it recognized 50 percent of the foreclosure processing fee during the first 30 to 60 days after referral of the file and the remaining 50 percent of the fee by the end of the 240 day-period. By day 240, DJSP recognized the entire foreclosure fee, regardless of whether a file had been closed within 240 days. DJSP's revenue model improperly relied upon the 240-day estimate because it was a significant understatement of the actual foreclosure file processing time during 2008, 2009 and 2010.

13. The 240-day estimate was calculated as the average number of days from when a client referred the file to the Law Firm to the time when the firm invoiced a second bill to the client based on data in the Law Firm's billing system. By using this billing data, the second bill was incorrectly treated as the point where a foreclosure file reached completion or was "closed," meaning that DJSP performed no further work on the file. However, the second bill did not necessarily represent the point at which DJSP completed all work on a foreclosure file. A second bill could be triggered by a number of events other than a file closing, including a file being put on hold by the servicer, or a file going into litigation or bankruptcy. These events often resulted in DJSP performing significant additional work on the file after the second bill date, and also resulted in the file staying open past the 240-day average.

14. In performing the lag analysis, data from DJSP's internal system that tracked the actual progress of foreclosure files was not used (instead, billing system data was used). Based on data from DJSP's internal tracking system, the average time to process a foreclosure file was at least 298 days in 2008, 393 days in 2009, 480 days for the first quarter of 2010, and 501 days for the second quarter of 2010. Therefore, the 240-day average used for DJSP's revenue calculations significantly underestimated the true average time to process a foreclosure file.

15. In addition to improperly prematurely recognizing revenue on day 240 of a file's existence, when all the work on the file was not complete, DJSP's revenue model also caused the company to misallocate the amount of revenue earned in the first 30 to 60 days as 50 percent in 2008 and 2009 and 75 percent in 2010. At most, DJSP performed only 40 percent of the work on a foreclosure file during the first 30 to 60 days. DJSP, therefore, prematurely recognized revenue during the earlier process segments.

16. DJSP further misallocated revenue earned in 2010, when DJSP amended its revenue model to recognize 75 percent of the foreclosure fee in the first 30 to 60 days, and the remaining 25 percent at the end of the 240 day-period. In reality, DJSP was only performing 40 percent of the work on the files within the first 30 to 60 days of obtaining the file.

Internal Control Deficiencies

17. DJSP's premature recognition of foreclosure processing revenue was the result of its failure to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that its financial statements were prepared in conformity with GAAP. DJSP failed to adequately address concerns raised by its auditors in 2009 in connection with auditing the carve-out financial statements, and raised again in April 2010, when the auditors identified a significant deficiency in DJSP's internal control over financial reporting relating to the design of its policy for the recognition of revenue for foreclosure services. DJSP also failed to follow its written revenue recognition policy provided to its auditors. DJSP further lacked adequate and experienced accounting staff. Additionally, DJSP failed to document the methodology used for calculating the average number of days to process foreclosure files or the support behind the data and allocations used to recognize revenue. Finally, DJSP failed to ensure that the 240-day average calculation was updated when significant events occurred that extended the average time to process files, such as a new rule enacted in December 2009 requiring mediation of foreclosure cases and implementation of government refinance and loan modification programs.

Impact on Financial Statements

18. As a result of the conduct described above, DJSP overstated revenues by at least 7% for 2008, 10% for 2009, 20% for the first quarter of 2010, and 7% for the second quarter of 2010. DJSP also overstated net income by at least 11% for 2008, 16% for 2009, 35% for the first quarter of 2010, and 15% for the second quarter of 2010.

19. As result of the conduct described above, DJSP's Form 20-F and its Forms 6-K which included financial statements for the first and second quarters of 2010 furnished on May 28, 2010 and September 22, 2010, respectively, contained false statements concerning DJSP's financial results.

Violations

20. As a result of the conduct described above, DJSP violated Section 13(a) of the Exchange Act and Rules 13a-1, 13a-16 and 12b-20 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with or furnish the Commission information, documents, and annual and other reports as the Commission may require, and mandate that such reports contain such further material information as may be necessary to make the required statements not misleading.

21. As a result of the conduct described above, DJSP violated Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

22. Lastly, as a result of the conduct described above, DJSP violated Section 13(b)(2)(B) of the Exchange Act, which requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles.

DJSP's Remedial Efforts

In determining to accept the Offer, the Commission considered cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent DJSP's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent DJSP cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-16 thereunder.

By the Commission.

Brent J. Fields
Secretary