



STATE OF CALIFORNIA

Department of Business Oversight

GOVERNOR **Gavin Newsom** • COMMISSIONER **Jan Lynn Owen**

March 25, 2019

Re: _____

Dear _____:

Thank you for your letters dated October 8, 2018 and February 4, 2019, regarding the proposed activities of _____ (“_____”). Your colleague, _____, also supplemented your request in her email dated February 21. In your correspondence, you ask whether _____’s proposed activities would require a money transmitter license in California.

In your correspondence you explained that _____ will offer various services through a digital platform and through its kiosks. On the digital platform, a customer will be able to use the Dash Application to make peer-to-peer transfers of the cryptocurrency Dash, and purchase or sell Dash to a third-party exchanger. Additionally, customers will be able to use “Merchant Tools” to facilitate purchases paid for with Dash. At its physical kiosks, customers will be able to purchase or sell Dash in exchange for U.S. dollars directly from _____.

You and your colleague confirmed that _____ will not receive fiat currency for the purpose of transmission in carrying out any of these services. For purchases and sales of Dash on the digital platform, _____ does not take custody or control of a customer’s fiat currency, and is not liable for the transfer of fiat currency during that purchase/sale. Instead the customer’s fiat currency is transferred between the customer’s third-party financial institution account and a third-party exchanger (the customer is a direct client of each). _____ is not a party to the transaction between those third parties and is not liable for the customer’s fiat currency. Rather, _____’s only role in this transaction is providing the application program interface via the Dash Application, which enables the customer to conduct the transaction from a single interface.

For the Merchant Tools service, customers can initiate a purchase for which they intend to pay with Dash using the Merchant Tool system. _____ receives the transaction directions and submits the request to two parties: _____ to confirm there is sufficient Dash in the customer’s wallet; and the Custodian, to obtain the Dash wallet addresses for each of the merchant and _____. _____ then generates

a QR code for a proxy payment that will allow the customer to authorize the transfer of Dash to the proxy payment address, at which point the Dash will be transferred from the customer's Dash wallet to the merchant's Dash wallet, with commission fees in Dash being transferred to _____'s Dash wallet. During these transactions, _____ only provides the application program interface to facilitate the integration between the various parties involved. In this type of transaction, there is no fiat currency involved. Merchants can also use the Merchant Tool to sell Dash in exchange for U.S. dollars.

Because _____ is never receiving fiat currency for the purpose of transmission in performing the above-described activities, and is never liable for the transmission of a customer's fiat currency, these activities are not subject to the requirements of the Money Transmission Act. The Department's determination is limited to the activities described herein and does not extend to any other activities in which _____ may engage.

This opinion is based solely on the facts presented in your correspondence, and the Department's understanding of those representations. The Department may reach a different conclusion under other facts and circumstances.

If you have any questions, please feel free to contact me at _____.

Sincerely,

Jan Lynn Owen
Commissioner
Department of Business Oversight

By

Senior Counsel