

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians***Jan Lynn Owen**
Commissioner of Business OversightIN REPLY REFER TO:
FILE NO:

August 15, 2018

Re:

Dear Mr.

Thank you for your email dated May 15, 2018, to Financial Institutions Manager Julio Prada, Financial Institutions Manager Oscar Lumen, and Deputy Commissioner for Money Transmitters Robert Venchiarutti. As Senior Counsel, I have been asked to respond.

We understand that [redacted] intends to offer two products. One product is instant purchase or sale of digital currency. You described this product as a transaction in which a customer buys or sells digital currency at the price that [redacted] displays at that moment. [redacted] immediately credits the buyer's digital wallet with digital currency and the seller's fiat account with dollars or euros.

The other product is "order book exchange." With order book exchange, customers place orders to buy or sell digital currency at a certain price and quantity. [redacted] matches buyers with sellers and executes the transaction according to their order terms. You stated that [redacted] does not allow customers to transfer monetary value from "person A to person B." You also stated that [redacted] will derive its revenue primarily from transaction fees charged to customers who trade on the exchange.

According to your colleague, [redacted] will offer these services for [redacted] and [redacted] which are all types of digital currencies. The Department of Business Oversight ("Department") has been studying the digital-currency industry closely. Whether digital currencies are viable forms of money or speculative non-money assets is widely debated. Given this ongoing debate, the Department has not concluded

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whether digital currency is a form of money. The Department has therefore not concluded whether digital currency triggers the application of California's banking laws or money transmission laws.

With respect to () and (), there is ongoing debate and litigation over whether those digital assets constitute securities. On that issue, too, the Department has not yet reached a conclusion. If they are securities, California's Corporate Securities Law potentially applies to businesses that facilitate their exchange.

In short, the Department has not concluded whether companies that deal in digital currency need to be licensed and supervised. If chooses to operate in California in the meantime, it should do so with the understanding that the regulatory environment may change at any time. In other words, the Department may at any time reach a conclusion about the above issues and determine that .'s activities are subject to regulatory supervision under existing statutes.

The Department may also adopt regulations or issue interpretive opinions that have the effect of significantly restricting 's business operations. Companies like that operate in California therefore do so at their own risk. Nothing in this letter should be interpreted to relieve from any obligations under the laws administered by FinCEN or any other agency of the federal governments.

Jan Lynn Owen
Commissioner
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By

/s/

Manuela Rumsey
Senior Counsel

MR/bkn