

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

October 9, 2018

Re: Opinion Request –

Dear Mr. _____ :

Thank you for your email dated July 24, 2018, to Stephen Lau, Assistant General Counsel in the Department of Business Oversight (“Department”). As Senior Counsel for the Legal Division, I have been asked to respond to this matter. Your letter requests confirmation that _____ (“_____”), is not currently required to obtain a license under the California Money Transmission Act in connection with its business activities.

According to your email, _____ is a Delaware limited liability company headquartered in Chicago, Illinois. _____ is a wholly-owned subsidiary of _____, which in turn, is a wholly-owned subsidiary of _____. _____ is a designated contract market regulated by the U.S. Commodity Futures Trading Commission.

_____ intends to operate an online cryptocurrency exchange platform (“Exchange”) through which _____’ clients can trade certain cryptocurrencies with other _____ clients in exchange for fiat currency or another permitted cryptocurrency. Currently, _____ plans to support the exchange of Bitcoin and Ethereum, and such other cryptocurrencies that _____ may add in the future.

In connection with the operation of the Exchange, _____ will provide each client with (1) a custodial virtual currency wallet associated with the client’s user account on the Exchange, and (2) a dollar-denominated account associated with the client’s user account on the Exchange.

1515 K Street, Suite 200
Sacramento, CA 95814-4052
(916) 445-7205

One Sansome Street, Suite 600
San Francisco, CA 94104-4428
(415) 972-8565

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

300 S. Spring Street, Suite 15513
Los Angeles, CA 90013
(213) 897-2085

1350 Front Street, Room 2034
San Diego, CA 92101-3697
(619) 525-4233

7575 Metropolitan Drive, Suite 108
San Diego, CA 92108
(619) 682-7227

The Department has been studying the cryptocurrency industry closely. Whether Bitcoin and other cryptocurrencies are a viable form of money or a speculative non-money asset is widely debated. Given this ongoing debate, the Department has not concluded whether Bitcoin and other cryptocurrencies are a form of money. Likewise, the Department has not determined whether exchange and wallet services like your client's trigger the application of California's banking laws or money transmission laws.

Accordingly, the Department is not requiring to be licensed and supervised under the aforementioned laws at this time. Please be aware, however, that this is subject to change. At any time, the Department may determine that ' activities are subject to regulatory supervision. The Department may also adopt regulations or issue interpretive opinions that significantly restrict ' business operations. If chooses to operate in California, it would do so subject to these risks.

While not the subject of your inquiry, we note that has indicated that it may in the future support the trading of cryptocurrencies other than Bitcoin and Ethereum. To the extent that any of those other cryptocurrencies are securities, may have obligations under California's broker-dealer laws. The Department reserves the right to take administrative action against if it is later determined that is trading securities in violation of California law. Therefore, by operating its trading platform in California, proceeds at its 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 government.

Sincerely,

Jan Lynn Owen
Commissioner
Department of Business Oversight

By

/s/

Jennifer L.W. Rumberger
Senior Counsel

JLWR:acp