



STATE OF CALIFORNIA

Department of Business Oversight

GOVERNOR **Gavin Newsom** ▪ COMMISSIONER **Manuel P. Alvarez**

IN REPLY REFER TO:
FILE NO:

September 30, 2019

Re: Request for Interpretive Opinion

Dear _____ :

Thank you for your letter to Scott Wyckoff, dated June 30, 2019, requesting an interpretive opinion from the Department of Business Oversight (“Department”) as to whether _____ is required to obtain a license under the Money Transmission Act (“MTA”).¹

_____, a Delaware corporation and wholly owned subsidiary of _____, proposes to operate an online cryptocurrency exchange platform (“Platform”) through which its customers (“Customers”) may buy, sell, and trade digital assets with other Customers. In connection with the Platform, each Customer may load virtual currency onto a custodial digital wallet and U.S. dollars into a custodial account with a federally insured, financial institution. These amounts are associated with each Customer’s account on the Platform and can only be used to trade for digital currency or U.S. dollars from other Customers on the Platform.

The Department has been studying the cryptocurrency industry closely. Whether 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 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 MTA.

Accordingly, the Department is not requiring _____ to be licensed and supervised under these laws at this time. Please be aware, however, this is subject to change. At any time, the Department may determine _____ 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.

¹ Fin. Code, § 2000 et. seq. All further statutory references in this letter are to the Financial Code unless otherwise indicated.

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Furthermore, to the extent any cryptocurrencies are securities, _____ may have legal obligations under California's broker-dealer laws. The Department reserves the right to take enforcement action if it later determines _____ is trading securities in violation of California law. Therefore, _____ proceeds at its own risk by operating its trading platform in California.

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,

Manuel P. Alvarez
Commissioner
Department of Business Oversight

By

Senior Counsel

cc: Robert Venchiarutti, Department of Business Oversight, San Francisco