



STATE OF CALIFORNIA

Department of Business Oversight

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

IN REPLY REFER TO:
FILE NO. [REDACTED]

October 4, 2019



Re: [REDACTED] – Opinion Request

Dear Mr. [REDACTED]:

Thank you for your letter to Jonathan Lee, a Financial Institutions Managers in the Department of Business Oversight (“Department”), dated April 30, 2019. As Senior Counsel for the Legal Division, I have been asked to respond to your request, which you submitted on behalf of your client, [REDACTED] (“[REDACTED]”). Your client requests a determination by the Department regarding whether its anticipated business activities are subject to licensure under the Money Transmission Act.¹

According to your letter, [REDACTED] plans to operate its mobile-payments application and deploy its merchant-payment-network platform that allows consumers to use their digital assets—including Bitcoin, Bitcoin Cash, Ether, and potentially other cryptocurrencies—to pay for goods and services in California. [REDACTED] will execute its plan by introducing two primary services: (1) a mobile payment application called “[REDACTED]”; and (2) a digital asset payment network platform called “[REDACTED]”

[REDACTED] is a mobile payment application that allows consumers to “instantly” spend digital assets in stores or online without the need to access traditional payment instruments—such as cash, credit card, or debit card—at the point of sale. When a consumer initiates a payment through [REDACTED], the mobile application receives a proprietary barcode, called “[REDACTED],” from the [REDACTED] that, once scanned by the cashier at the point of sale, debits the amount from the consumer’s digital-wallet balance.

The [REDACTED] is an “open network” that allows seamless digital-asset payments in stores and online by enabling merchants to receive U.S. dollars as payment through their existing points of sale. To accomplish this, the [REDACTED] provides a back-end exchange service at

¹ Fin. Code § 2030, subd. (a).

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the point of sale where consumers make payments with digital assets, but merchants receive payments in U.S. dollars.

The Department continues to study 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 services based solely on cryptocurrency transactions trigger the application of California's banking or money transmission laws.

Accordingly, the Department is not requiring [REDACTED] 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 [REDACTED]'s activities are subject to regulatory supervision. The Department may also adopt regulations or issue interpretive opinions that significantly restrict [REDACTED]'s business operations. If [REDACTED] chooses to operate in California, it would do so subject to these risks.

Nothing in this letter should be interpreted to relieve [REDACTED] from any obligations under any other state or federal laws not discussed in this opinion.

If you have any questions, please feel free to contact me at [REDACTED] or [REDACTED].

Sincerely,

Manuel P. Alvarez
Commissioner
Department of Business Oversight

By

[REDACTED]
Mark Ahn
Senior Counsel

cc: Robert Venchiarutti, Department of Business Oversight, San Francisco (via email)
Jonathan Lee, Department of Business Oversight, Los Angeles (via email)
[REDACTED], Partner, [REDACTED] (via email: [REDACTED])