



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 Ms. [REDACTED]:

Thank you for your letter to Manuel Alvarez, Commissioner of the Department of Business Oversight (“Department”), dated April 19, 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 proposed business activity is subject to licensure under the Money Transmission Act.¹

According to your letter, [REDACTED] is a “digital asset dealer and financial platform,” incorporated in Delaware. It acts solely as a “trade execution provider for US-based customers,” offering three specific trading pairs: (1) Fiat-to-Crypto (e.g., U.S. Dollars to Bitcoin); (2) Crypto-to-Fiat (e.g., Bitcoin to U.S. Dollars); and (3) Crypto-to-Crypto (e.g., Bitcoin to Ethereum). [REDACTED] plans to act solely as the intermediary to execute the trades described above and deliver electronic funds for transfer. In sum, customers may purchase or sell an asset through [REDACTED] as the “digital assets platform intermediary.” [REDACTED] also will not provide custodial services and does not intend on holding customer funds beyond the time required to execute the exchange transaction.

The Department continues to study 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 services trigger the application of California’s banking or money transmission laws.

¹ Fin. Code § 2030, subd. (a).

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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)
[REDACTED], Compliance Consultant, [REDACTED]
(via email: [REDACTED])