



STATE OF CALIFORNIA

Department of Business Oversight

GOVERNOR Gavin Newsom • COMMISSIONER Manuel P. Alvarez

October 28, 2019

IN REPLY REFER TO:
FILE NO:

VIA EMAIL AND FIRST-CLASS MAIL

Re: Request for Interpretive Opinion – and

Dear Mr. :

Thank you for your letter, dated October 4, 2019, requesting an interpretive opinion from the Department of Business Oversight (“Department”) as to whether and (collectively, “”) are required to obtain a license under the California Money Transmission Act (“MTA”) prior to operating an online cryptocurrency exchange with ’ customers (“Customers”).

Your letter describes two types of transactions that will occur directly between and its Customers as part of ’ online cryptocurrency¹ exchange. The first is a two-party transaction where , as a seller, transfers its own virtual currency directly to the Customer’s digital wallet in exchange for fiat currency transferred by the Customer to ’ bank account via a third-party payment processor.² The second is a two-party transaction where , as a buyer, transfers its own fiat currency to the Customer’s bank account via a third-party money transmitter³ in exchange for virtual currency transferred directly by the Customer to ’ digital wallet. Each transaction is independent from all other transactions, no transaction automatically triggers another transaction on the exchange or elsewhere, never takes possession of virtual currency or fiat currency as a custodian for Customers, and does not offer any wallet services.

¹ The cryptocurrencies bought and sold by in California through ’ website will include Bitcoin, Ethereum, Litecoin, Ripple, Bitcoin Cash, Stellar, Binance Coin, NEO, Tron, Eos, and Tether.

² The third-party payment processor uses payment networks, including Visa and MasterCard, to process Customer’s fiat payment cards or otherwise deliver payment for Customers to .

³ The third-party money transmitter is locally registered and licensed in the United Kingdom or the European Union to provide remittance services for to deliver Fiat Currency to Customers in the United States or elsewhere.

The Department has been studying the cryptocurrency industry closely. Whether cryptocurrencies are a viable form of money or speculative non-money asset is widely debated. Given this ongoing debate, the Department has not concluded whether cryptocurrencies are a form of money.

Notwithstanding the foregoing, the exchange of currency between [redacted] and its Customers from their own respective inventories does not constitute “receiving money for transmission”⁴ by [redacted]. The phrase “for transmission” refers to the temporary entrustment of money or monetary value with a transmitter before it is forwarded to another person or entity. In both transactions described in your letter, [redacted] might receive money or monetary value but does not forward it to another person or entity. Rather, [redacted] keeps for its own account the virtual currency or fiat currency it receives from Customers. Therefore, [redacted]’ proposed activities do not constitute “receiving money for transmission” and are not subject to licensing under the MTA.⁵

The Department’s determination is limited to the activities described herein and does not extend to any other activities in which [redacted] may engage. Any change to the facts or circumstances could lead to a different determination.

Nothing in this letter should be interpreted to relieve [redacted] from any obligation under laws administered by FinCEN or any other agency of the federal government.

Please contact me at [redacted] with any questions.

Sincerely,

Manuel P. Alvarez
Commissioner
Department of Business Oversight

By

Senior Counsel

cc: Department of Business Oversight, Money Transmitter Division, San Francisco

⁴ Fin. Code, § 2003, subd. (u).

⁵ This opinion focuses on “receiving money for transmission” because it does not appear [redacted] sells or issues payment instruments or stored value.