

Mary Harper

From: Jim Burns
Sent: Friday, March 28, 2014 3:15 PM
To:
Cc:
Subject: RE: Bitcoin Escrow Services

Dear

Thank you for your inquiry regarding the services you may seek to conduct in Idaho.

While the facts presented are somewhat limited, perhaps information that we have previously distributed might be of use. In this regard, the Department is of the view that if an exchanger accepts legal tender from an Idaho consumer and later delivers those funds to a 3rd party to consummate a virtual currency purchase, then money transmission is occurring. Such activities require the benefit of licensure under the Idaho Money Transmitters Act. The Department has yet to formulate a view regarding the other actions of exchangers and we continue to study this area. However, federal guidance in this area has been relatively directed. Generally speaking, the activities that you have described cause us to believe that a money transmitters license will be required.

It is also plausible that your activities fall within the purview of the Idaho Escrow Act. However, to be consistent with developing state views and to reduce the potential regulatory burden associated with requiring two licenses, we have presently opted to allow the described activities (as to virtual currency exchangers only) to be conducted under our money transmitter license.

I hope the preceding assists you to understand Idaho requirements in this rapidly developing marketplace. I am available to meet via phone conference to discuss our application processes if you want to do so after reviewing this communication.

Finally, the Department is obligated to explore every license application in a manner which allows us to have comfort that the licensee will conduct a fair and regulatory compliant business in Idaho. As such, we are unable to comment on the specific hurdles associated with an application by _____ until such time as a completed application has been submitted.

Jim Burns, MBA, CFE, CRCP
Securities Investigations Chief / Money Transmitter Program Mgr.
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(208) 332-8080

PS If you are aware of entities acting as an exchanger for Idaho residents, we would be interested in identifying any such entities.

From:]
Sent: Tuesday, March 25, 2014 11:51 AM
To: Jim Burns
Cc: Securities Internet Mail;
Subject: Bitcoin Escrow Services

Dear Mr Burns,

Good morning, I work for [redacted]; a regulatory consultancy based in London. I am writing on behalf of a client, [redacted], a UK Bitcoin escrow service which is looking to enter the US market. Ahead of any potential entry into the State of Idaho, I am conducting some research into the regulatory and licensing requirements that [redacted] would be subject to, should the company decide to service customers in Idaho in the near future. I have a few questions below, that I hope you will be able to answer as soon as possible, either by e-mail or by telephone.

For your own background, [redacted] is a web platform that enables customers to buy Bitcoin easily and securely, without having to make international bank transfers. The company functions as an escrow service. This means that in a transaction between two parties buying and selling Bitcoin, [redacted] holds Bitcoins in escrow until it receives the appropriate written or oral instructions that the obligations of the buyer have been fulfilled. To do this, [redacted] takes advantage of UK fast inter-bank transfer protocol which allows money to be transferred within a couple of hours.

[redacted] has paid close attention to the pronouncements from the Federal Agency FinCen and multiple state financial departments regarding the need for Bitcoin exchanges to register as Money Services Businesses. Our client would now like to understand which licenses in particular the company would be required to hold at a state level.

Given that [redacted]'s activities are strictly limited to those of an escrow service, an activity which is specifically regulated in Idaho law, can [redacted] **be confident that in Idaho, a state license as a money transmitter would not be required?**

Further to this, [redacted] would like to understand more about escrow licensing. It has become clear that there is a similar business operating in Idaho which facilitates local trades of bitcoin between buyers and sellers, functioning as an escrow by holding bitcoin to be released once a payment to the seller's bank account in USD has been confirmed. To our knowledge, this business is not licensed by the state of Idaho. **If [redacted] operated a similar escrow service, freezing bitcoin in a bitcoin wallet, would this mean that the company would likewise not require licensing?**

Finally, should [redacted] indeed be considered an escrow agency under Idaho state law, **is it likely that the company would be granted a license? If the company were granted a license, what are the compliance and investigation requirements for the holder? In particular, would [redacted] be subject to any special requirements or obligations as a business based in the UK? If so, what specifically would these be? In addition, were it to gain a license, would [redacted] be entitled to serve customers outside the state of Idaho within the United States without further licensing requirements?**

I appreciate that these may be questions with detailed answers, and therefore it would be extremely helpful if we could arrange a quick 20 minute call to speak over the phone about these questions. Please do let me know if this would be possible and if a call can be scheduled for the next couple of days.

Your help with the above questions will be very much appreciated. I look forward to hearing from you.

With regards,